CREDIT

and

Financial Management

Capitalism CAN do the job!

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THE HOME

INSURANCE COMPANY

NEW YORK

165TH

SEMI-ANNUAL STATEMENT

December 31, 1935

ASSETS

Cash in Banks and Trust Companies	$11,153,403.51
United States Government Bonds	3,055,349.65
All Other Bonds and Stocks	90,404,886.80
Premiums uncollected, less than 90 days due	7,686,885.20
Accrued Interest	256,779.00
Other Admitted Assets	649,558.00
	$113,206,862.16

LIABILITIES

Capital Stock	$14,500,000.00†
Reserve for Unearned Premiums	37,002,162.00
Reserve for Losses	4,468,844.00
Reserve for Unpaid Reinsurance	685,991.50
Reserve for Taxes and Accounts	2,000,000.00
Conflagration Reserve	2,000,000.00†
NET SURPLUS	52,549,864.66†
	$113,206,862.16

NOTE—On the basis of December 31, 1935 market quotations for all Bonds and Stocks owned the total admitted Assets would be increased to $119,722,222.71 and the net Surplus to $59,065,225.21. Securities carried at $2,596,479.00 and cash $50,000.00 in the above statement are deposited as required by law.

SURPLUS AS REGARDS POLICY-HOLDERS, $69,049,864.66†

ORGANIZED 1853

Strength «» Reputation «» Service

CREDIT

and

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Contents for FEBRUARY, 1936

Cover illustration by BEACH HUBBARD

Official Publication of the National Association of Credit Men

One Park Avenue, New York, N. Y. — **1309 Noble Street, Philadelphia, Pa.**

Richard G. Tobin, Editor and Manager — **Paul Haase**, Associate Editor — **Clifford T. Rogers**, Advertising Manager

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"Made to measure"

Habit and custom meet us at the cradle and, too often, follow us to the grave. It isn't so many years ago that men used to put on their shirts by pulling them over their heads. Then one day some designer did enough original thinking to develop the vest-style shirt.

Similarly, the calendar year is so thoroughly a part of our lives that, quite naturally, we have assumed that the close of a business year must correspond to the close of the calendar year. A few industries, bolder in thought and action, have followed a calendar period that does not close on December 31st. Instead of beginning the new year on January 1st, they have begun the new year at the low point in their industry's operations.

There is no necessity for every business using the calendar year as the framework for its fiscal year. Recently there has been proposed the adoption of the natural business year to replace the calendar year. What is this natural business year?

The natural business year is any consecutive twelve month period coinciding with the cyclical operation of the particular business. That is a logical plan. When the business is least active, and every business has a low point in the course of a year, then is the most logical time to take inventory, analyze receivables and liabilities, and perform all the other operations that most firms now take care of at the first of the year. These operations can thus be taken care of during the dull weeks rather than during busy weeks and before heavy inventory replacements.

There has been some misconception as to the demand of tax laws in connection with the December 31st closing. But if a firm wishes to change the accounting period from the calendar to the natural business year it can do so, and the law provides that "the net income shall, with the approval of the Commissioner, be computed on the basis of such new accounting period."

To credit executives, this is a worthwhile change. Financial statements, for instance, will be spread through every month of the year instead of being crowded into the first three months. More accurate data about firms seeking credit will be possible when decisions can be based on more timely and deliberate studies of natural business year statements which tell a comprehensive rather than a distorted story of a business firm's condition.

The time is here for industry to stop clothing itself in a calendar year garment when a fiscal pattern, custom tailored for its particular needs, will permit a much better fit.

Henry H. Heimann

Executive Manager, N.A.C.M.

Credit thinkers vs. credit tinkers

by PAUL FIELDEN

The Norton Company, Worcester, Mass., and Vice President, N. A. C. M.

Possibly astrologists may find significance in the fact that both Washington and Lincoln were born during the month of February and draw important deductions from that circumstance. Being of a practical turn of mind, we may well ask ourselves what so elevated these men in the hearts and minds of the American people that they are still reverently referred to, one as "The Father of His Country," and the other as, "The Preserver of the Union."

Many individuals have become prominent as a result of fortuitous circumstance, some unfortunately notorious as a direct result of their own misdeeds but to maintain the admiration, reverence and respect of a great nation down through the years must indicate a combination of admirable qualities not ordinarily concentrated in one individual. That both Washington and Lincoln were extraordinarily thus endowed seems conclusively indicated.

The suggestion has from time to time been made that the great men of former years would be found lacking when and if confronted with the complexities of modern civilization. It is not possible, of course, to accurately predict the action or the conclusions of any individual under a given set of circumstances. Neither is it possible to any more than surmise what might be the attitude of great men of previous generations if presented with present day problems.

I think the conclusion can logically be reached that either Washington or Lincoln would have been great men today even though the country and its problems have increased materially in many ways since they were dealing with the management. The virtues of these two great Americans have been enumerated by writers and historians and need not be reviewed in detail here. One of the many qualifications which each possessed was the ability, starting from a sound base of mental poise and equilibrium to think clearly, concisely and conclusively.

Mr. FIELDEN

As business men or as credit executives, may we not well cultivate and develop ourselves along this particular line?

Thinking, as defined by Webster, is the act of exercising the faculties of judgment, conception or inference, as distinguished from simple sense perception. If this definition be accepted, then it must be recognized that in order to think, one must previously have developed a mental plane of greater or less degree as a base from which to start and perhaps occasionally return in the mental excursions or expeditions into the fields uncharted and possibly unexplored.

It is interesting to note the attention given by business executives and others during the last few years to a consideration of the subject of economics. Probably there has been more reading on this subject than ever before in any period of our business history. That this is an important subject and one in which all business men should be interested is not to be denied. Much that is good has been written and published. On the other hand, there has been a surprising quantity of so-called "economic thought" published and broadcast to the American public which unfortunately without analysis many have accepted as authentic.

One would hardly qualify as a Credit Executive if in passing the business that comes across his desk he accepted as conclusive the unsupported opinions of some individual or agency as to the responsibility of his customers. On accounts of consequence, at least, one should assemble his own data, review it, reach his own conclusions and then perhaps check with those reached by other means.

If we allow others to do our thinking and make our conclusions for us, we fail in two directions. We not only do not use the fullest extent of our own reasoning powers but we fail to develop them so that we can be capable of analyzing and handling greater problems. In other words, we fail to measure up to our responsibilities. The economic and forecasting services which we read so generally, many of which are most excellent,

should be accepted by us not as a custom-made conclusion but as a stimulant to mental activity on our own behalf.

The credit executive of the next few years is going to have a most interesting experience. Not only must he do more original and straight-forward thinking himself, but he must in the course of his investigations and contacts satisfy himself that his customers also are keeping abreast of the times.

It seems improbable that there need be any change in the yardstick of credit appraisal. Character, Capacity and Capital are, and are likely to continue to be, the prime characteristics of a good credit risk. More attention probably should be given to Capacity, however, for the ability of management to recognize and solve the new business problems which are bound to come as a result of changed conditions is going to be an important influence in the future of business institutions. Businesses which in the past have been conspicuous successes will not of necessity prosper in years to come and can't possibly do so unless their management is mentally alert.

The federal government in the last few years in an effort to be of assistance to commerce and industry has become a substantial investor and creditor in and of many banks and business houses. If this trend toward Government participation be continued, credit executives will face a rather new and interesting situation. The attitude of Government toward its business and banking investments through a period of low business activity has yet to be determined. The situation may present novel possibilities.

It seems certain that the next few years will see added to the operating expenses of industry, substantial sums to support social security programs. That business houses must meet and absorb at least part of these costs is immediately apparent. This may be done by increased selling prices, lowered costs or lowered profits. Our thinking must, however, carry us beyond this rather elementary conclusion.

Industry, of necessity, must take steps to stabilize employment to iron out as far as possible the peaks and valleys of the employment curve thus recognizing and at least partially solving one of the troublesome sociological questions of the time. The successful firms and therefore the preferred credit risks will be active in the directions indicated.

The leaders of industry, commerce and finance face these and other problems, some perhaps as yet unrecognized. Like Washington and Lincoln the business interests of this country must clear away superficials and get down to a somewhat broader mental base. Starting from that point with an honest heart, a clear eye, and an active mind, then no problem will be impossible of solution.

In this industrial and commercial future, the credit manager has an important part. There is a challenge in the unknown and the unpredictable. To those who successfully meet the issues and surmount the difficulties will probably never come fame lasting down through the years. If, however, one has a successful part in the development of the commercial life of the country, if the credit manager's position is efficiently filled during the coming years, if the world gradually becomes a better place in which to live and work, after all to have had a part in this—that is successful living—that is "the more abundant life."

The other 34 Cs

by WALTER E. SYKES

Or maybe it should be the other ninety-four. And it could easily be the other 99,994.

Lest we forget, first let us state the traditional, fundamental, and unchallenged 3 C's-character, capacity and capital, about which we cannot possibly argue and which have stood for years and still stand as the three basic factors in credit analysis. Whether public credit (yes, they do apply to governmental borrowings), investment credit, mercantile or commercial credit, bank credit or retail credit, character, capacity and capital represent the content of the credit dollar which is literally minted when a transaction postponing cash payment takes place.

But back to the 34, a quantity scientifically chosen to fill the space alloted to this literary contribution.

There are few jobs or few professions with more exacting requirements and more stringent qualifications. These qualifications cover a wide range, both personal and educational. But we are talking about the other C's.

CONFIDENCE—The very essence of the credit relationship.

COOPERATION—The core of credit organization as well as credit analysis.

COMPREHENSION — Webster says this means understanding—what implications in this word.

CAUTION—Is there a credit man who can deny this, although it is rumored that some sales managers imply it may be overdone?

COMPETENCE—What we are all striving for.

CERTIFICATE—Competence and Certificate give an opening for our first little plug: The National Institute of Credit offers two certificates embracing eight subjects of study, better investigate.

CHALLENGE—Credit is a universal tool: credit management is a challenge to the best brains of today.

CAN—This should be the slogan of the strong and the goal of the weak.

CONTINUITY—When the account is opened the job is not finished, it must be watched; credit management is a continuing process.

COMPLETENESS — Because of the continuous nature of credit work, completeness is essential—thoroughness determination.

COURTESY—The embodiment of a gentleman, the constant characteristic for a real credit executive.

CONTROL—Both personal and institutional. And a warning to the profession—we might have social or group control unless the credit executive proves his ability to assume and carry on the responsibility which should be his.

COST—A necessary element in any tabulation.

CALM—Try it.

CANNY—We know he can but has he that Scotch instinct? It helps.

COLLECT—Who said the three C's of credit were *(Cont. on page 35)*

Chicago credit clinic studies basic methods

by B. J. BADGER, Credit Manager, Johnson Motor Company, Waukegan, Ill.

The general plan of operation of the Chicago Credit System and Methods Clinic was described in detail in a previous issue of this magazine.

We have now completed two months sessions of clinic groups. While the committee has learned much through experience and consequently changed certain minor details of the plan, the general method of operation continues and the attendance and interest expressed has gone far beyond the hopes of the committee.

The first month we considered the first step in credit procedure: *Credits and Sales—(The order or dealer secured)*. Under this subject we discussed:

1. Credit instruction or manual given salesman prior to customer contact.
2. Salesman's report to credit department.
3. Application for dealership or credit terms.
4. Dealer agreement or sales contracts.

Orders or dealers are secured through a salesman's call or by mail. When secured by salesmen it was found that about fifty per cent of the firms represented in our groups issue some sort of credit manual of credit instructions to their salesmen prior to their calling on the trade. Apparently, however, those firms which do not issue such instructions to their sales force believe the idea has merit and many will, no doubt, adopt some sort of credit instructions to their sales force in the future. Most firms which issue instructions to salesmen may be divided into four groups:

1. Those who issue a general instruction book including credit instructions.
2. Those issuing a multigraph form from credit department to salesmen.
3. Those in which verbal instructions are given by the Credit Manager at a general meeting of salesmen.
4. Those in which the Credit Manager gives individual instructions to the salesmen.

Such instructions generally include terms of sale, policy of terms, information needed on new accounts, old accounts, rush orders, general collection policy, general information desired from salesmen with the ways and means for securing such information. It should be emphasized that the sales department does not extend terms and that the credit department at the office gives final approval to all orders and terms.

It developed that the makers of small unit merchandise give their salesmen very definite credit instructions, while the merchandisers of medium sized merchandise were less definite in their instructions, if they had any at all. Merchandisers of large unit products also give their salesmen very specific instructions.

It was brought out that the salesmen were often unable to get satisfactory financial information because the dealers kept inadequate records.

The salesmen's report to the credit department was discussed in much detail. It was found that only a few firms are using a printed form which requires considerable detail in the way of report. A large number of firms were found to be using a multigraph form requiring very brief but vital information. This type of report form had plenty of room for general remarks by the salesmen. A few firms provided for a brief report to the credit department included in the report sent to the sales manager by the sales force.

The salesmen's reports usually included questions of this sort: Name, address, telephone, trade style, corporation, partnership, etc.; names of officers; kind of business; age of business; references (obtained from seeing merchandise on dealers' floors rather than from names supplied by merchant); dealer's bank; do you recommend open account, C. O. D. etc., and why?; will dealer give us a statement? what is competition in territory? how much merchandise on hand? does it appear to be valuable? is store well kept?

Comparatively few firms ask salesmen to secure specific financial statements, and very few who request them actually secure them.

Where the dealer or order is secured by mail an application for dealership or credit terms is usually filled out by the prospective dealer. Most of such forms inspected were very brief. As a rule it appears that the application for terms is included in an application for the dealership to the sales department. The information sought is usually confined to name, type of business, names of officers, a few references and the name of the prospective dealer's bank. Such information gives the credit department sufficient basis for starting an investigation of the account where necessary.

It seems that there is considerable room for the development of this form, and it will save considerable time for the credit department if it is secured and filled out properly by the prospective dealer.

Another form which was studied in the first month of our Clinic was the dealer agreement or sales contract. Very few of these were turned into the discussion groups and only a few covered credit terms in a very definite way.

It appears that there is some room for improvement here as most sales contracts appear to be simply memo agreements. Credit terms could be included in the agreement and thus make the understanding with the dealer more specific as to his terms.

In our November discussion groups, we had over four hundred credit executives and assistants in five different

meetings during the month. Our subject for November was "Credit Department Investigation." This subject was divided into the following subtopics:

1. Prior record of customer applying for credit.
2. Method of filing such records.
3. Commercial agency reports.
4. Bank reference letter.
5. Trade reference card or letter.
6. Ledger experience—interchange reports.
7. Other methods.

Because of the amount of interest and discussion of these sub-topics it was impossible to cover the entire subject of credit investigation in the November meetings. There were no discussion meetings held in December because of the holidays and inventory time, but the subject of Credit Investigation was continued in the January discussion meetings.

When the order or dealer agreement is secured, we found 95% of the credit managers present at our meetings refer to their old records to determine if customer has been sold before and if so what his past record shows. A few credit managers disregard old records completely and start a more or less complete investigation, depending on the size of the new order involved.

If old records show the account as not active for a year or more, the account is usually considered a new account and old records have little influence on the decisions—and a new file of information is assembled at once.

It was brought out, however, that in reviewing old records the fact should not be overlooked that although a man's financial status may change, the man himself seldom changes. His habits of pay, his habits of honesty or dishonesty, etc., will probably be the same today as they were five or ten years ago.

Some credit departments destroy old records after a year and some after three to five years. Most firms, however, retain a permanent record of all customers either in the form of the ledger record sheet, folder of correspondence, credit information file, a permanent credit record summary card, or a bad debt file sometimes known as the "black list."

The ledger sheet is usually available for from five to ten years in most credit departments but the tendency seems to be toward a summary card on each customer, which will be filed permanently in the credit department.

Eighty-five per cent of old records are filed alphabetically, a few geographically, and in larger cities, where the number of accounts is high, such records are sometimes filed by street, name and number. Several concerns file geographically by sales district and alphabetically within that district.

In most cases where geographic filing is used, there is a supplementary card file of some sort filed alphabetically for use in checking accounts who have moved to new addresses, etc. Some firms file their credit folders alphabetically, thereby securing a cross-file.

Ledger forms turned in at the meeting indicated that ledger sheets are pretty much uniform as far as the form itself is concerned. Many provide spaces thereon for ratings over a period of time, bank name or number, credit limits, etc.

Some credit information summary cards were presented, but there were more of such forms at the January meetings, and this form will be discussed further in a later report.

The question of locality or address influencing a credit decision was discussed. This point is often carefully considered especially where local factors such as competition, industrial activities, agricultural conditions, etc., are outstanding. It was brought out, however, that where the 3C's of—capital, capacity and character—were found entirely satisfactory, the factor of locality probably will have little bearing on the final decision. Locality from the viewpoint of progress or deterioration, however, has great weight.

A certain percentage of credit managers use visible records, but there appears to be considerable interest in such records. Several reported that they were installing visible records this year.

Visible records speed up approval of orders and analysis of credit records considerably. There seemed to be some preference expressed for the book type of visible system rather than the older drawer type. We also discussed the sources of credit information used.

Apparently 100% of credit managers use commercial agency reports—some use them for large accounts only—others for all regular accounts.

About 65% use phone inquiries in securing credit information. It is very important when using phone to always make a written record of the report you secure by phone and file this record. Phone calls are quite generally local calls.

Almost fifty percent of credit managers reporting use credit interchange reports. Most of those who do so extoll the low cost of compiling reports by such method.

Only about twenty percent use attorney reports and there appears to be a decided trend away from the use of such reports. If used at all it appears that you should request specific information from attorney and not make simply a general request for information.

About seventy percent of concerns secure financial statement when possible from their customer, particularly their larger accounts. These statements are usually requested direct by the credit department rather than through the sales representative.

Fifteen percent or less make any sort of investigation of customer's insurance except on very large accounts. There is, however, a trend towards requiring such information.

Most firms use a combination of several methods, using that source most which appears to develop the most and more accurate information in their particular industry.

Among the agencies used are: Credit Interchange Bureau; Credit Group Reports; Dun & Bradstreet; Hooper Holmes Bureau; Hayes Reporter; Hill's Reports; Industry Credit Bureau; National Consumers Company; Retail or Merchants Credit Bureau.

In January our discussion groups considered credit reports in further detail and also:

Form of letter and card inquiry; percent of return on inquiries; average cost of inquiries; average cost of credit investigation; attorney report forms; financial statement forms; personal knowledge of accounts; insurance and bank reports; cutting cost of securing credit information.

This article covers some of the high lights of our discussion. There is gradually being compiled a mass of information on credit practices and credit forms used in different industries which will eventually be edited in a manual of practical credit procedure which will be invaluable to the credit man.

Our competitive system

by CHARLES S. TIPPETTS, Dean, School of Business Administration, University of Pittsburgh

During the past two or three years the future of Capitalism has become a matter of universal debate.

A large number of business men and economists are wondering whether the Capitalistic System as we have known it in the past will be supplanted by another in the near future. Some authorities tell us that the depression is due very largely to a breakdown of that system. They prophesy that full prosperity can never again be expected until we have instituted many changes. Mussolini announced recently: "Something has snapped in the capitalistic system." In his new book *Government in Business* Stuart Chase advances similar views. The reasoning of those who hold such pessimistic beliefs runs somewhat as follows:

Under an ideal capitalistic or competitive system many of our present troubles would not exist. But an ideal competitive system would only be possible if we had a complete knowledge of what was happening in all parts of the economic structure, if all men behaved rationally, if there was free mobility of land, labor, and capital from one use to another, and if there were no attempts to impede the free functioning of business and economic activity. If prices should fall there would be quick readjustments of costs to selling prices so that profits would be held at a satisfactory level. The utmost freedom in individual initiative would be permitted and any difficulties could be automatically rectified.

This is, probably, the type of economic system we would all prefer. Most teachers of economics in American universities, in spite of a wide opinion to the contrary, are strong believers in competition and economic freedom, although they realize the existence of some undesirable conditions.

Unfortunately there has probably never been an ideal or perfect competitive system. Various groups here and there endeavor to set up schemes to prevent the free play of competitive forces. Both international and domestic trade are restrained or controlled by various methods. Both employers and employees are hampered by a lack of knowledge of profit-making opportunities and where jobs exist. Furthermore we have set up barricades in the form of devices to control prices and production which prevent a quick adjustment to changing conditions. Therefore, it is argued, a natural or automatic recovery from a depression has become most difficult.

As a result of the unsatisfactory functioning of our present system, there have occurred from time to time widespread and urgent demands for amending it. The present wave of dissatisfaction is nothing new. Every time we have run into difficulties in the past it has been argued that the days of Capitalism were numbered. We should reread the history of the long American depressions of the 40's, the 70's and 90's.

Some individuals talk as though we have always had a competitive system and assert that any attempt on the part of the government to rectify present evils is revolutionary. *As a matter of fact the competitive system is a comparatively recent development in the economic history of the world.*

A study of the economic history of England and the Continental countries reveals clearly that prior to the beginning of the Eighteenth Century there was little freedom permitted in business activity. Without going back further than four or five hundred years we find that the free choice of the individual was an exceptional thing rather than the rule. Control, it was believed, was necessary. Before the rise of strong national governments the cities endeavored to do most of the controlling. The rules and regulations of the medieval Guilds are too well known to need any great attention here.

The Church held that there was a just or fair price, a just or fair wage. What was fair was based upon what was customary, and the Church lent all its influence to preserving the idea of justice through all branches of economic activity. For example it forbade the payment of interest on loans. Here and there were places where some individual initiative was permitted, but under the Guilds no man could engage in business unless he was a member of the Guild and he could not be a member of a Guild unless he obeyed all its rules. As time went on various abuses became evident as a few individuals began to dominate the Guilds and men began searching for some remedy for these abuses. Many industries moved outside of the city walls so as to be free from objectionable regulations.

With the breakdown of the Guild and Guild control, there was still the idea prevalent that someone must control, and control passed into the hands of the national government. Certain trades were forbidden to exist. An example of this is to be found in a famous law to the effect that nobody in England should wear cotton because it would injure the woolen industry which was the great, protected industry. In the reign of Charles II it was decreed that anyone who died had to be buried in a woolen shroud of certain dimensions. It is amazing now as we study the history of government regulation of business to see how intricate and minute many of these regulations were.

History repeated itself and the national government began to abuse its power. Rulers passed out monopolies to their favorites. Nobody could engage in particular lines of business unless they paid a certain sum to the favorite holding the monopoly. With the rising power of Parliaments, there gradually dawned in England and on the Continent the notion that men should have more economic freedom.

In the 1700's in France came the enunciation of the doctrine of natural rights. Rousseau wrote "Man was born free. He is now everywhere in chains." Of course this was not true because man had never been free economically.

During the Eighteenth Century opposition to government control became so great that gradually the enforcement of obnoxious rules and regulations was ignored and the idea of a free economic system in which full play should be given to the desires of individuals gained in strength and support. Adam Smith, the so-called father of political economy, published his famous book, *The Wealth of Nations* in 1776. In it he advocated the principles of freedom or laissez faire, arguing that what was best for the individual was best for all. There was, he thought, an invisible hand guiding men to their proper places and proper functions in the economic system.

By the beginning of the Nineteenth Century faith in laissez faire reached its peak. But it was found that the complete withdrawal by government from business regulation resulted in new evils. Little security could be afforded to the average individual and a small but powerful group of employers began to use their power in advancing their own special interest. The pendulum swung back and because of popular demand we again found the field of government control slowly broadening. For over a hundred years in England and since the Civil War in this country there has been a steady addition to the functions of government until today we have moved far back along the road to government control.

Standing in one short period of time as we do it is only natural that we should lose our perspective. What we need to do is to study the history of the development of our economic institutions. When we do this we find reason to be less profoundly disturbed over our present situation. Economic changes seldom occur abruptly. As in human life the principle of evolution is at work.

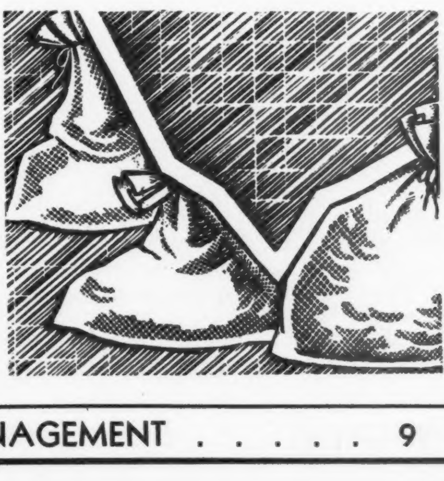
A distinguished British economist, the late Alfred Marshall, once said, "Natura non facit saltum"—Nature does not make quick changes. It is a gradual process. Another British scholar, the well-known economic historian, Professor E. Lipson, is convinced that the principal of continuity runs through all economic development.

Sometimes there appear changes which seem to be abrupt but closer examination reveals that what has happened is merely an acceleration of movements which have been long under way.

From the dawn of political and economic history one of the greatest problems of the human race has been to find the ideal balance between the functions of government and the preservation of individual liberty. The late professor John W. Burgess of Columbia devoted a lifetime to this search and published his conclusions in a splendid volume *The Reconciliation of Government with Liberty*. But he did not find the answer.

When we are irritated by many phases of the New Deal we can remember that we have gone through worse periods of readjustment. What was this country two hundred years ago? What was Pittsburgh only one hundred years ago? Have there been no difficulties before? If capitalism had been a weak system it would have been wrecked completely many times in the past. A system which has withstood so many shocks must have something of strength and vitality or it would have succumbed long ago.

Much of the New Deal is not really *new*. Reread the speeches of Theodore Roosevelt and Woodrow Wilson in the Presidential Campaign of 1912! Are you worried about attacks upon the American Constitution? They have reappeared from time to time from the very beginning. Did not Abraham Lincoln assert that the Dred Scott decision might have to be repealed by the people? Did not William H. Seward proclaim that "there is a higher law than the Constitution?" No one at the present time has criticized the Supreme Court of the United States with the bitterness of Theodore Roosevelt.



Perhaps even more of the New Deal will be declared unconstitutional. But this has happened before. The Constitution is not going to be suddenly thrown overboard. The Supreme Court is not going to be abolished. The Constitution may be again amended, it is true. But it has already been amended a score of times. It will be changed again only if the people demand it. This country would not be what it is today if the American people had not shown a relatively high degree of political intelligence at critical times.

We assail our Congressmen and Senators unthinkingly. If we are objective we must realize that on the whole they do an excellent job. If we don't like them whose fault is it? We elected them. We expect too much of them. They are not supermen; they are human beings. If they become confused and bewildered it is because we who elected them are also confused and bewildered. It is a tribute to their common sense and American democracy that they did no more foolish things during the panic years of 1932-'33.

Do not mistake this for a defense of the New Deal. It is not. Whatever our opinion of the New Deal happens to be it does seem clear that most of what has been done was politically unavoidable. Some of it will be abolished. Some will remain. It has been so many times in the past.

It is possible that the verdict of the future will be this. In a period of great fear we endeavored to do too much. We were badly frightened and felt something had to be done. But the profit-making capitalistic system, in its main pattern, continued to exist. More security was provided for the average individual. Some of the worst evils were eliminated. But when the turmoil had passed and emotions and prejudices had moderated it was realized that little of a truly revolutionary character had been enacted.

Capitalism CAN do the job!

by HAROLD G. MOULTON, President, The Brookings Institution, Washington, D. C.

A great many observers have in recent times been concerned over the fact that the rate of economic progress appears, superficially at least, to be lagging rather than accelerating. Somehow the older and more mature economically a nation becomes, the less rapid—for one reason or another—appears to be the rate of its economic growth. We do not seem to be able to make a full utilization of our existing productive facilities.

This fact has seemed to some to indicate that we have reached a stage of permanent overproduction—necessitating restriction of output and more leisure instead of more wealth. To others it has suggested that there must be some underlying difficulty which seriously impedes the operation of the economic system.

It was with a view to throwing light upon the great problem thus briefly suggested that the Brookings Institution—organized for the purpose of ascertaining and interpreting the facts about great economic and governmental problems—submitted three years ago to the Maurice and Laura Falk Foundation of Pittsburgh—created for the purpose of promoting human welfare—a project for investigating the relation of the distribution of income to economic progress.

The very wording of the title, The Distribution of Income in Relation to Economic Progress, suggested the fundamental lines along which the investigation would be projected. The fact that business enterprises seldom produce at full capacity, that the greatest problem of business managers appears to be to find adequate markets for their products raised in the minds of many business men and economists the question, "Is not the primary difficulty a lack of purchasing power among the masses?" and this led at once to the correlative question, "What is the bearing of the distribution of income among the different groups in society upon the demand for the products of industry?"

In view of many people it seemed obvious that since producers groan under the burden of "excess capacity" at the same time that consumers complain of unsatisfied wants, the trouble must evidently lie in the failure of the system to transmit purchasing power broadly to the masses. In sharp contrast, others contend that the center of the economic system is production. While temporary maladjustments may restrict productive output, it is urged that, as a normal long-run procedure, we produce all that we can, and that our consumption is simply determined by the amount that the economic machine is able to turn out. In the light of such divergent views, the need of a searching study into the interrelations between production and consumption, as revealed by data and information drawn from the actual world of affairs, was evident.

In order, however, that you may have before you in succinct form the successive steps involved in the inquiry as a whole and be able to judge for yourselves whether the investigation has been carried out in a thoroughly scientific manner, I shall give a very brief recapitulation.

In some connections, to be sure, it has not been possible to make as accurate measurements as one might wish but the lack of precision we believe in no wise affects the fundamental validity of the conclusions reached. In order to present our findings as succinctly as possible and at the same time to reveal the methods employed I shall describe the several steps in the analysis as a whole.

Step 1

The first step was to ascertain the degree to which our productive resources are ordinarily utilized. We found that in the prosperity period of the twenties our productive facilities were used to only about 89 per cent of capacity. This phenomenon of excess capacity was characteristic of the whole period from 1900 to 1929, with no definitely discernible upward trend for the period as a whole. During the depth of the depression in 1932, the rate of output for the economic system as a whole was scarcely more than 60 per cent of capacity, while in many lines of manufacture it was as low as 20 or 30 per cent.

Step 2

The second task was to determine whether the failure to utilize our productive capacity fully might be explained by any impediments or maladjustments within the productive mechanism itself. We were unable to discover any bottle-neck, weak link, or defective part in the productive system. That is to say, there was no impediment in the way of a shortage of raw materials, industrial plant and equipment, power or fuel, transportation facilities, money and credit, or labor, which might explain the failure of the system as a whole to operate on a capacity basis. The source of difficulty had, therefore, to be sought outside the productive machinery.

Step 3

As the next step, it was therefore necessary to study the distribution side of the economic system. Might the difficulty be found in a maladjustment between productive capacity and purchasing capacity? To throw light on this question it was necessary to show how the national income is divided among the various groups which comprise the body politic.

We found, in brief, that the great masses of the population had incomes insufficient for primary requirements and that there exists a *potential* demand vastly greater than could have been supplied had we operated our economic system at full capacity. At the higher end of the scale, incomes were not only in excess of consumptive requirements, but in many instances in excess of practical consumptive possibilities. Over the period from 1900 to 1929 the poor were not growing poorer, but richer. But the rate of income growth was nevertheless more rapid in the upper income strata.

Step 4

The fourth step was to determine the effect of the unequal division of income upon the allocation of the total income as between spending for consumption and saving for investment. We found that the savings of those in income groups below $2,000 were negligible, while those in the higher income brackets saved a substantial percentage of their total incomes. Out of 15 billion dollars of individual savings in 1929, as much as 13 billions were made by

10 per cent of the population. Since the number of people in the higher income groups was increasing, the percentage of the total national income that was diverted to investment channels was increasing.

Step 5

The fifth step brought us to the crucial question, namely, whether the restricted flow of funds into consumption channels, resulting from the unequal distribution of income, served in any way to impede the operation of the economic system. To answer this question it was necessary to study the forces which govern the transformation of the *money savings* of individuals into new *capital equipment.*

According to traditional views, the greater the amount of money that is directed into investment channels the better, for it will all be used to expand plant and equipment, thereby increasing productive capacity—and hence consuming capacity in the future. Our analysis showed, however, that since new capital is constructed with a view to making profits out of the sale of the products of such capital, an expansion of plant and equipment will not take place in any large way unless consumptive demand is at the same time increasing.

Our study of the facts of industrial history disclosed further that the growth of new plant and equipment is closely adjusted to the rate of increase of consumptive demand rather than to the volume of savings available for investment purposes. In the prosperity period of the twenties, for example, only a portion of the money savings rendered available in the markets was utilized by business men for the purpose of building new plant and equipment. The excess went to bid up the prices of securities already outstanding, thereby producing serious dislocations in the financial markets. In short, we found that, on the one side, the flow of money into consumptive channels was inadequate to call forth the full use of the existing plant and equipment; and that, on the other side, the excessive flow of funds into investment channels produced a security market boom, the ultimate collapse of which was an important factor in precipitating the depression of 1929.

As a result of the investigation of production, consumption, and the process of capital formation, we reached the following basic conclusions:

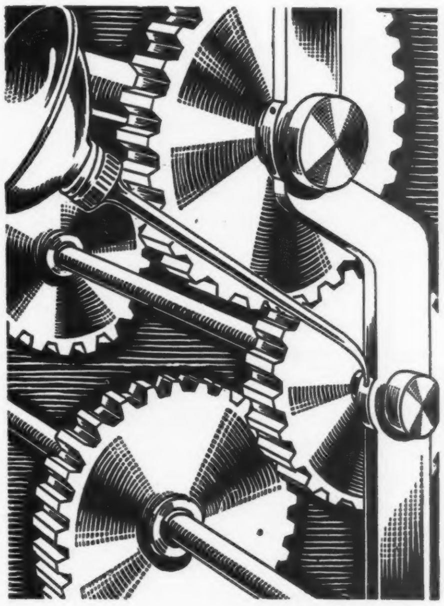
First, the unbalanced distribution of income—and consequent restricted flow of purchasing power through consumptive channels—explains our inability to find markets adequate to absorb the full output of our productive establishments.

Second, the slow rate of growth of consumptive demands serves to retard the rate at which new capital is constructed and hence the rate of economic progress.

With the basic source of maladjustment disclosed, our problem shifted from diagnosis to prescription. By what means might the flow of the income stream to the various groups in society be modified so as to expand progressively the effective demand for consumption goods and call forth an ever greater volume of production? What are the possible lines of attack on this problem? In what directions is economic progress most likely to be found?

As a preliminary to a discussion of this problem, it should be clearly understood that a mere *re*distribution of the *existing* income of society will not accomplish the desired results.

If the entire income of the nation had been divided absolutely equally in the most prosperous year we have ever known each person would have received about $655.



If all of the income derived from investments in 1929 and in addition all of the salaries received by corporation officials had been conscripted and distributed to the masses, the per capita income would have been increased by only about $140. The amount that could conceivably be redistributed at the present juncture without bringing the economic system to a halt is so small as to be of negligible significance.

The paramount requirement is to increase progressively the total amount of income to be divided. Only if the aggregate income increases from 80 billion dollars a year to 100 billions, to 150 billions, to 200 billions, will it be possible to achieve the goal desired. What we need is a dynamic society in which ever increasing quantities of *newly created* goods and services will become available for everyone. The distribution of income from year to year is thus of significance not for its momentary effects upon the well-being of the masses, but for its possible cumulative effects in promoting a fuller utilization of our productive facilities and a consequent progressive increase in the aggregate income to be available for division.

Numerous persons, aware of the character of the conclusions reached in the first three volumes of our investigation, have evidently been expecting us to suggest some clever device, or panacea, with which to remedy the existing maladjustments.

One of the most striking attributes of the human mind is its desire for some simple or single solution to the problem with which it is confronted. Any number of such "conclusive remedies" have come to my desk, as no doubt to yours, in the course of recent years. But anyone who has had a broad and varied experience, either in the world of business or as a professionally trained student of the actual operation of the complex economic system, knows that there is no easy formula by which the economic machine may be automatically, instantaneously, and perpetually perfected.

In our analysis we have given careful attention to several alternative, though not necessarily mutually exclusive, lines of attack upon the problem. In each case we have sought to determine both the potentialities and the limitations. By a process of elimination we have reached a judgment as to the particular road along which progress, as we conceive it, is most likely to be achieved. At the same time we have indicated other contributing means and suggested the places at which further investigation is required.

Methods of bringing about a different division of income are of two broad types—the one direct and the other indirect. The direct method involves a modification of the income stream at its source—that is, in the disbursing offices of business enterprises. The indirect method involves an unmodified initial distribution and then a subsequent redistribution through the medium of taxation machinery. I shall say just a few words about the latter first.

Taxation has already played a role of no small significance in raising the

standards of living of the masses. For many years, federal, state, and local governments have collected taxes for the purpose of providing educational and recreational facilities and, increasingly, public health service. These free services have not only contributed very materially to the well-being of the masses; but since such services come free the result is a larger margin for expenditures on other types of consumption goods. As the years pass, the furnishing of such services out of funds derived from taxes may well be made very much more important than has been the case heretofore.

On the other hand, many types of public expenditures—which provide incidental employment—are not of great direct significance to the masses. If the people had free choice in the matter they would clearly not express themselves in favor of additional public works, as compared with better food, clothing, shelter, and more necessities and conveniences in the home. However important the construction of public works may be in a period of depression, such enterprises can be justified as permanent policy only if they yield larger satisfactions to the people than might be rendered through increasing the output of basic necessities. As long as widespread underconsumption exists, a program of public works will not solve the basic need. Not unless the government were to take over the production of food, clothing, and other basic necessities, would it be possible thus to give the people what the people must stand in need of. We conclude, therefore, that taxation has a place in a program for redistributing income—an increasing place as the years pass—but not a place of primary or fundamental importance.

Turning now to the direct methods: There are two principal alternatives to be considered. The first is the increase of money wages without proportionate increases of prices, and the second, or opposite, is the reduction of prices without a reduction in money wages. Before considering these alternatives, let me emphasize that our analysis is concerned, not with the economic situation as it presents itself in the midst of depression, when normal price and wage relationships have been seriously disturbed, but under more normal long-run conditions.

It is readily apparent that if there should be a general increase in money wages unaccompanied by offsetting increases in prices, the purchasing power of the wage earning classes would be enhanced. It is equally clear that if prices generally were reduced while money wages remained unchanged, the real income and purchasing power of the masses would also be increased. It is clear also that wage increases accompanied by corresponding price increases do not increase purchasing power, and that price reductions achieved by cutting wages do not give to the laboring classes any added purchasing power. The relationship between wage levels and price levels must be modified if the workers' income and purchasing power is to be expanded.

Since public interest has been focussed chiefly upon the wage increase method of raising the income of the workers, this method must be given first consideration. In order to simplify our discussion, let us ignore the practical difficulties involved in bringing about a general increase in wages unaccompanied by price increases. What we are chiefly interested in for the moment is in determining to what extent this method, if successful, would reach to the heart of the problem of raising the income of the consuming masses.

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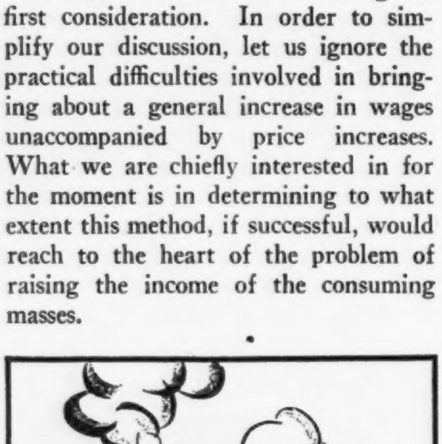


The industrial labor population of the United States constitutes only one portion of the great consuming public. Out of a total population, at the latest census, of 122,775,046, as many as 44,636,770 were classified as farm population, while another 9,183,453 lived in towns having less than 2,500 inhabitants. The urban population was 68,954,823, of which 4,717,590 lived in towns of between 2,500 and 5,000 inhabitants. The rural and village population was approximately 44 per cent of the total. There is a substantial part of this urban population which would receive no benefits from the wage increase method of distributing income. Persons employed in connection with government activities, educational, philanthropic, and charitable organizations, or in personal or domestic service, would not necessarily obtain increased salaries. These workers, together with the professional groups, constitute a population of something like 20 million people.

The wage increase method of disseminating the benefits of technological progress would, therefore, not extend to more than 40 per cent of the total population. Moreover, the importance of the farm population is not fully revealed by the number of people involved. The farmers as a class have the lowest incomes of any important group in the body politic. The per capita income of the farm population as a whole in 1929 was only $273. Any method of distributing income that leaves the farm population out of the picture obviously falls far short of the desired goal.

Moreover, the increase of money wages tends to promote a basic maladjustment between two great divisions of our economic life and thus to impose a serious barrier to economic progress. The struggle to obtain higher living standards through the medium of higher money wages has been the cause of a long and deep-seated conflict between the agricultural and urban populations. The people of the cities have fought for higher wages even though it has meant somewhat higher prices for industrial products. The farmers have long fought for lower prices on the commodities which they have to buy. The struggle underlies the so-called granger movement of the seventies; it explains the traditional opposition of the agricultural South to high protective tariffs; and it lies at the basis of farmer opposition to trusts, monopolies, and combinations in all their forms. It explains finally the present agricultural program of restricting output as a means of restoring "price parity" between agriculture and industry.

Investigation and analysis clearly reveal that the money raising method of increasing the purchasing power of the labor population has over a long period of years been instrumental in giving to them higher standards of living. The objection to the method is simply that

it is not sufficiently inclusive in scope and thus produces maladjustments which serve to impede the most effective functioning of the economic system as a whole.

In contrast, when prices are reduced (without a reduction of wages) the benefits automatically accrue to the entire population. That is to say, it not only adds to the purchasing power of the labor employee group, but it increases the real income of the non-wage urban population and of the farm population as well. Since the benefits are distributed throughout the entire economic system, a better balance is maintained between the different divisions of our economic life.

In considering these alternative methods of disseminating the benefits of progress, attention must also be directed to their bearing upon international competition. In so far as an increase in money wages is accompanied by increasing prices, the ability of American manufacturers to meet competition in foreign markets is obviously impaired. And even though prices should show no increase, the competitive power of the American manufacturer would be affected in a negative way. That is to say, he would not be in a position to reduce his selling price with a view to expanding foreign sales.

On the other hand, a progressive lowering of the prices of commodities strengthens a nation's competitive position in foreign markets. The greater the technical progress and the lower the consequent selling price the greater will be the chance of expanding foreign sales. Success in international competition will in the long run depend upon productive efficiency and not upon the level of money wages.

In short, the broad highway along which economic progress must be sought is the avenue of price reductions. When this road is followed the benefits of technological improvements are automatically conferred upon all divisions of the population. Maximum expansion of purchasing power is obtained and equilibrium is maintained.

The problem thus briefly outlined is the fundamental issue confronting the business men of this and other countries. It is the business man's problem, for the simple reason that business policy is the determining factor in the making of prices. We are concerned here with a crucial question of economic organization under the capitalistic system. In order that there may be no failure to appreciate the vital significance of this problem from the standpoint of the functioning of the economic system, let me briefly recall the fundamental principles upon which the capitalistic system depends for its successful operation. These principles have not only been long ago set forth in economic literature, but they have long been imbedded in the thinking of business and governmental leaders as well. They tend, however, to be forgotten in the every day world of practical affairs.

The general theory underlying the system of capitalistic production and distribution clearly recognizes the necessity of an ever expanding mass purchasing power in order to absorb the expanding capacity of the productive establishment. Certain clearly defined principles were moreover set forth which it is believed could be relied upon to bring automatically the desired results. Le me briefly summarize these principles.

First, it is pointed out that under a system operated for private profit each business manager naturally seeks to reduce costs by increasing the efficiency of production. He may accomplish this by the construction of a larger and more efficient plant, by the installment of improved equipment, by the introduction of superior internal management, by improved methods of marketing, by integrating various stages in the productive process, or by a combination of various methods.

Second, having reduced costs of production he is in a position to increase his profits in one or another of two ways. He may continue to sell at the same price as before, enjoying the advantage of a wider margin between cost and selling price; or he may expand the volume of his business by means of price concessions. It was reasoned that since the increase in efficiency which is responsible for the reduction in costs commonly involves an expansion of productive capacity, and since the maximum economies can be obtained when operating at full capacity, the greatest profits will result if the output is expanded by means of a reduction of prices. The wise alternative is to expand sales by offering the products at a lower price.

In short, increased efficiency makes possible lower prices, while the profit incentive insures the actual reduction of prices. The greatest profit to the business enterprise is thus derived through giving to the masses the most for their money. The interest of the profit maker therefore coincides with the welfare of the community.

Third, the process naturally involves the continuous elimination of obsolescent or otherwise inefficient, high cost, or marginal establishments. The fit, as gauged by ability to sell at a minimum price, alone survive; moreover, the efficient of today promptly become the inefficient of tomorrow. A particular business man, firm, or corporation may indeed survive over a long period of years, but only if the production methods employed keep always abreast of changing times. Note that this theory of progress requires the maintenance of money wages—for if they are not maintained the real purchasing power or income of the laboring class will not be expanded. The reduction of prices which is significant is that reduction which results from increased productive efficiency.

I submit that these fundamental requirements for progress under the capitalistic system have never been subjected to challenge. I submit that they cannot be refuted. As we increase productive efficiency we must, if our productive resources are to be fruitfully employed, match it with increased consumptive power among the masses.

I submit also that in the actual operation of the business system these principles have not always been adhered to. Certain prevailing practices have tended to nullify the benefits of technological improvements and to retard the rate of economic progress.

First, the importance of maintaining the general level of wages as a part of the process has too often been forgotten. Indeed, the system itself has exerted a powerful pressure on business managers to reduce wages. When confronted with markets inadequate to absorb the full potential output of his factory, the individual business manager is naturally tempted to cut wages as a means of reducing costs; for with lower costs he can make price concessions and expand his sales. But if all business men cut wages as a means of reducing costs and selling prices they have not thereby expanded the purchasing power of the wage earning population. The contention (*Cont. on page* 22)

This debtor thinks Santa may be real

Cooperation with Oklahoma Bureau brings debt settlement in full and a cash nest-egg of $342 returned to him

by E. E. BARBEE, Jr., Secretary, Oklahoma Wholesale C. M. A.

One hundred per cent! That's what creditors got in a bankruptcy case and the "Debtor" got $342.00 in cash and two farms in which, with advancing prices, he should have a good equity. All because the debtor was honest, had his creditor's interest at heart and, before it was too late, came to the Oklahoma Wholesale Credit Men's Association for advice and help.

The debtor, whose name is withheld for special reason, operated a small grocery store in Oklahoma City. He had a down-town location, leased at a high rental, and the overhead was high. This was in 1933 and the depression was going good. He was sued by one creditor, then by another and realized he couldn't continue. He felt that he was solvent but nearly all of his capital was tied up in two farms, and in 1933 farm property wasn't worth very much as a cash asset.

So he came to the Oklahoma Wholesale Credit Men's Association to find out how best he could protect his own interests and the interests of his creditors.

The Association made an analysis of the facts. It was apparent that if he should be forced into bankruptcy, creditors would lose the greater portion of their claims and nothing would remain for the debtor. It was also apparent that if creditors could be brought together in friendly co-operation with each other, that they would have a fighting chance of getting paid in full and that their debtor had a slight chance of salvaging something.

After the Association had determined the facts in the case, the next step was to see that the debtor had competent legal advice, so that the legal phases of the liquidation might be passed upon by an attorney. The

Another example of how N. A. C. M. Adjustment Bureaus increase dividends

Association recommended that the debtor file in bankruptcy under Section 74 and that a two year extension be sought. This step was approved by the attorneys and May 15, 1933 a petition was filed under Section 74, asking for a two year extension. In this petition he scheduled taxes of $370.00 and general claims of $1,605.34. His assets consisted of $450.00 due him from the sale of his stock of merchandise and two farms, plus some miscellaneous "chips and whetstones" of very doubtful value. One of the farms was valued at $3,500 and was mortgaged for $2,010.65. At that time it was very doubtful if that farm would pay out the mortgage. The other farm was valued at $3,500 and was mortgaged for $249.79.

It was from the second farm, with the small mortgage, that the Association hoped to get the money to liquidate the debts.

Most of the creditors were local and most of them members of the Oklahoma Wholesale Credit Men's Association. The Association advised all of them regarding the case and urged that they grant the two year extension. A first meeting of creditors was held before Referee Paul G. Darrough and the extension voted unanimously. As Secretary Manager of the Association, I was appointed Custodian and took charge of all of the assets, collecting the money due from the sale of the merchandise and with this paid off taxes on the best farm. A good tenant was placed on that farm and the other farm was turned over to the debtor so that he might have a way of making a living for his family during the extension.

From time to time efforts were made to sell the farm with the small mortgage but in 1933 cash buyers were as scarce as dividend checks. The farm brought in enough to pay taxes and that was all. Finally, the Federal Land Bank at Wichita agreed to make a loan on this farm of enough to pay off all creditors. It took six months to unravel and cut the endless red tape of this land bank but finally it was done and the check sent to the Custodian.

All unsecured claims were paid in full. The small mortgage on the farm was paid off, with interest. All costs and fees of the referee were paid in full. His attorney was paid a satisfactory fee and all other expenses were paid in full. Title to both farms was returned to the former debtor and with improved conditions it is certain he can make a good living from them. And after all of this was done the Custodian closed the case by handing to the debtor-that-was a check for 342.64!

Friendly co-operation of creditors through their Association made this possible but no matter how friendly or co-operative the creditors might have been, they could have done very little without the hearty co-operation of the debtor, whose prime interest all the way through was to pay his debts in full. Most Association managers agree that at least half of the failures could be avoided if the debtor would come to the Association at the first sign of trouble and let the Association help in working out a solution. This man did this—instead of being a "bankrupt" with no assets, he is making a comfortable living on his own property, all of his debts have been paid, he has a "nest egg," and, above all, he has the confidence and respect of his creditors and associates.

Announcing:

The J. H. Tregoe Memorial Prize Essay Competition

General Subject: CREDIT

Specific subjects will be announced shortly

Cash Awards for Winning Essays

Full details will be published in the March issue of Credit and Financial Management

What taxes cost business

by Dr. R. M. HAIG, Columbia University, New York

We have always had, and always shall have private costs of compliance with tax laws, costs which are an "invisible tax," and such costs of compliance must be considered reasonable if they are necessary to achieve the particular objectives of a tax system which the community considers to be of greater value than the costs they occasion.

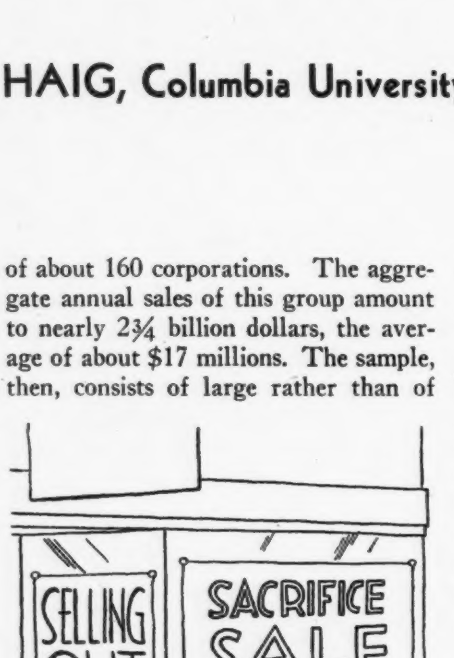
To the question—"What is the percentage that constitutes a reasonable private cost of compliance?"—there can be no precise answer . . .

In recent years several factors have combined to increase greatly the business man's cost of compliance with tax laws; perhaps the most important of these factors are, first, the rapid development of various new and complicated forms of federal and state taxation applying to business—income taxes, franchise taxes, sales taxes, etc., etc.—and, second, the rapid expansion of the area in which many business concerns operate. Complaints have been heard that, in the case of individual concerns, the costs of tax compliance have mounted to levels which seemed entirely unreasonable.

It is my privilege to submit a preliminary report of a pioneering expedition into this unexplored territory.

Questionnaires were prepared and distributed to about 1,600 corporations, selected in such a manner as to include concerns in all different lines of business activity roughly in proportion to the importance of the various lines as revealed by the federal income tax statistics. In all 186 replies have been received but only 163 of the questionnaires or approximately 10 percent of the original sample were filled out in sufficient detail to make it possible to include them in most of the computations.

The sample is small, most of the statements being based on the figures of about 160 corporations. The aggregate annual sales of this group amount to nearly 2¾ billion dollars, the average of about $17 millions. The sample, then, consists of large rather than of



Taxes are a big factor in business operations—an excessive burden can mean failure and bankruptcies.

small concerns. Again, manufacturing is heavily represented and if the costs of compliance are higher for this line of business activity than for other lines, the sample is not truly representative of the general situation. Furthermore many of the figures are necessarily only estimates and how good these estimates are I do not know.

I have observed, however, that those questionnaires which reveal the least care in preparation are for the most part the returns which show the lowest costs of compliance. I interpret this to mean that those who answered the returns carelessly failed to include many costs which were included by those who worked carefully.

The figures relate to a single year only. Moreover this year, 1934 was a year of low volume, low values and low profits. Percentage relationships between costs of compliance and taxes paid may be substantially lower in a prosperous year. Indeed in the case of certain taxes, such as those based on net income, the percentage is certain to be much lower. In any single year there may be special circumstances, such as the passage of a new federal revenue act, which may render the figures for that year unrepresentative of the usual situation. Consequently caution must be used in drawing conclusions from the one-year figures here given.

If the sample of 163 corporations is representative of the general group situation, the total cost to corporations of complying with tax statutes, federal, state and local, amounted in 1934 to 2.3 percent of the total taxes paid.

The 163 corporations paid 127 millions in taxes and it cost them nearly 3 millions to prepare their returns and to comply with the various provisions of the tax laws. In the case of federal taxes, costs amounted to 2.85 percent; in the case of state and local taxes to 1.99 percent.

The group of 163 corporations filed 31,100 primary tax returns, that is returns used as a basis for determining tax liability (6,368 federal and 24,732 state and local). This is an average of 39 federal and 152 state and local primary returns for each corporation. In addition, the group filed nearly 160,000 information and other reports to the tax officials, approximately a thousand for each corporation.

The income tax has a "low cost of administration," being often collected at a cost of 1 percent or less to the public treasury; but it apparently involves a very high cost of compliance. Out of our sample, 95 corporations paid a federal income tax in 1934. The

typical corporation in this group had an "invisible tax" of 4.7 percent and 11 corporations had compliance costs in excess of 25 percent. Again, 76 corporations out of the sample paid state income taxes (or franchise taxes measured by income); the typical corporation in this group had a compliance cost of 9.5 percent and 14 out of the 76 corporations had costs in excess of 40 percent.

How greatly these percentages would have been decreased, had we been dealing with a year of prosperity instead of a year of depression cannot be determined, but, in any case, it seems probable that we shall have to revise radically our conception of the income tax as a low-cost tax. Some of the costs for the income taxes of individual states are even more striking. In 45 cases corporations reported that they paid the New York State corporation franchise tax which is based on net income with certain minimum payments. The state received $367,000 and the corporations paid out $83,000 or 22.5 percent to establish the extent of their liability. With 15 cases under the Massachusetts law, the corresponding figure is 16.6 per cent.

As a second illustration, take the property tax, which is considered a rather expensive tax to administer, the cost to the public treasury falling probably between three and four percent. In our sample, 122 corporations reported payments of state and local property taxes amounting to 50 millions of dollars at a cost of compliance of only $517,000 or 1.04 percent. The figure for the typical corporation is 1.2 percent. Apparently if one considers both public and private costs involved in collection, there is little to choose as between income and property taxes so far as economy is concerned.

Finally, let us consider the sales tax, which lies somewhere between the income tax and the property tax in its public costs of administration, the figure of 2½ percent being commonly cited as a typical administrative cost. This is the tax which has often been cited as being so simple that it costs the taxpayer little or nothing in "trouble, vexation and oppression." Our returns show that 91 of the corporations paid state sales taxes amounting to approximately 8 million dollars but that it cost these corporations $291,254 to settle this sales tax liability, a cost of compliance of 3.7 percent. Numerous individual instances may be cited where it cost the corporation more to comply with the sales tax law than the state received in tax.

In our sample 124 corporations give information regarding the extent to which their business is local and the extent to which it is interstate. Fourteen corporations out of this group of 124 report aggregate costs of compliance in excess of 10 percent. Not one of these fourteen concerns confines its business within the borders of one state.

Again if one drops the federal taxes out of the picture and concerns himself merely with state taxes and their cost of compliance, the picture becomes even more clear. Among the corporations which stay at home and do not venture beyond their state lines, the typical corporation has a cost of 1.5 percent. Among the corporations which operate in two or more states, the typical corporation has a cost of 2.5 percent. The corresponding figure for the corporations which operate in more than 40 states is 5.5 per cent.

If one confines oneself to the costs connected with state corporation income taxes, alone, and deals with the 63 corporations which paid such taxes and gave detailed information, one finds that the typical little pig that stayed home had a cost of compliance of 3.5 percent, whereas among those that went to market in two or more states, the typical cost was 10.5 percent.

"Management Review"

Catalog of 113 taxes:

Manufacturers of grocery products pay at least 113 different taxes to the Federal, State, and local governments, according to a preliminary survey just made by "Food Field Reporter." Here they are:

Federal taxes

1. Corporation Income; 2. Capital Stock; 3. Excess Profits; 4. Agricultural License; 5. Oleomargarine License; 6. Salmon Fishing; 7. Automobiles; 8. Tires; 9. Tubes; 10. Gasoline; 11. Oil; 12. Matches; 13. Soap; 14. Alcohol; 15. Telephone; 16. Telegraph; 17. Radio; 18. Cables; 19. Safety Deposit Boxes; 20. Mechanical Refrigerators; 21. Mineral Water; 22. Stamp Tax; 23. Deeds of Conveyance; 24. Bonds; 25. Passage Tickets; 26. Pistols and Revolvers; *Processing Taxes:* 27. Lard; 28. Cocoanut Oil; 29. Corn Oil; 30. Peanut Oil; 31. Sugar; 32. Hogs; 33. Wheat; 34. Paper; 35. Jute; 36. Corn; 37. Alcohol.

State taxes

1. Corporation Income; 2. State Franchise; 3. State Excise; 4. Capital Stock; 5. Excess Profits; 6. Foreign Corporation Permit; 7. Foreign Corporation Report; 8. Anti-Trust Affidavit; 9. Corporation License; 10. Additional Stock Issue; *Transport Taxes:* 11. Gasoline; 12. Vehicle License; 13. Use Tax; 14. Mile-Tonnage; 15. Railroad Cars; 16. Motor Vehicle Registration; 17. Refrigerator Cars; *Miscellaneous Taxes:* 18. Store License; 19. Food License; 20. Unemployment; 21. Mercantile; 22. Real Estate; 23. Filing Fee; 24. Old Age Pensions; 25. Alcohol; 26. Cattle Tick; 27. Sausages; 28. Cold Storage; 29. Stock Food Registration; 30. Chain Store; 31. Packers; 32. Occupation; 33. Wholesaler's License; 34. Plant License; 35. Industrial License; 36. Manufacturer's License; 37. Beverage License; 38. Merchant's License; 39. Trader's License; 40. Consumers' Sales; 41. Workmen's Compensation; 42. Personal Property; 43. Intangibles; 44. Mortgage; 45. School; 46. Soldiers' Bonus; 47. Retaliatory Tax on Foreign Firms; 48. Billboard; 49. Scale Inspection; 50. Gross Receipts; 51. Telephone.

Local taxes

1. Sanitary Inspection; 2. Elevator Inspection; 3. Electrical Inspection; 4. Refrigeration Inspection; 5. Compensation for Conduits; 6. Boiler Inspection; 7. Real Estate; 8. Personal Property; 9. Manufacturer's License; 10. City Sales; 11. Vehicle License; 12. City License; 13. Plant License; 14. Fresh Meat Toll; 15. Meat Inspection License; 16. Produce Dealer's License; 17. Cold Storage License; 18. Wheel Tax; 19. Water Rent; 20. Gross Income; 21. Wholesale Dealer License; 22. County Property; 23. School; 24. Signs; 25. Gasoline.

—"Domestic Commerce."

"Take a letter, please"

Your letter is YOU. How do you look when you reach the office to which you are sent? Are your habits in need of correction? Does your clothing look wrinkled or out-of-date?

Read this carefully — then check your letters!

by S. J. SCHNEIDER, Secretary-Manager, Louisville C. M. A.

"Take a letter, please."

Countless times during the day, in all parts of the country, this popular expression prefaces the dictating of thousands of letters by business executives. Unfortunately, only a small percentage of the completed efforts reflect creditably upon their authors. For some strange reason, business men forget to "write as they talk." Often, too many still cling to the old hackneyed, trite introductory phrases, popularly known as "words with whiskers," which begin in this fashion:

"We have yours of the sixth instant."
"We have your inquiry of December 4, and wish to advise you, etc."
"We acknowledge receipt of your wire of September 22, and have carefully noted contents."

Do you recognize these and thousands of similar expressions in letters passing over your desk? Take the trivial matter of salutation, "Dear Sir," and the complimentary closing, "Yours truly." If the members of the National Association of Credit Men were to discard these in their letter writing, it would create a new era, and save much lost motion in large stenographic departments.

Realizing the tremendous possibilities in a letter writing improvement campaign, the Louisville Credit Men's Association presented to the business executives of Louisville, a Letter Writing Clinic, under the sponsorship of its Credit Education Committee, of which Berl Boyd, of Belknap Hardware and Manufacturing Company, Louisville, is Chairman. The full committee is composed of Harvey Cardwell, of Harvey Cardwell and Company; C. J. Overberg of Gulf Refining Company. E. A. Thomson, of Louisville Cooperage Company; T. M. Wintersmith, of Central Concrete Construction Company.

The invitation was not confined to Credit Departments alone, but the Sales, Buying, Adjusting, Traffic and all other Departments of business were invited to attend the opening meeting, to consider the possibilities of presenting written messages more effectively, tactfully and as better business builders for their respective concerns. More than three hundred accepted the invitation and were present at the initial meeting.

Miss Aline E. Hower, of St. Louis, a nationally recognized authority on letter writing, addressed the first meeting, and acted as discussion leader for the Letter Writing Clinic, held on the four succeeding nights, from seven to eight o'clock. The schedule for the Clinic embraced the following interesting topics:

"The Value of Letter Writing Improvement to Business."

"Cutting Letters 10 percent to 50 percent in Length."

"Getting Better Sales and Collections."

"Ten Points for Adjustment Letters."

"Words, The Living Magic of Business."

Approximately 150 enrolled for the complete Clinic, and the nightly attendance was remarkable, averaging 99.5 percent, denoting intense interest on the part of those participating.

The officials of the Louisville Credit Men's Association were delighted with the reception accorded this innovation, to improve the business letters of its membership. Unquestionably, a letter improvement program for companies large or small, will—

1. Increase sales.
2. Increase collections.
3. Build good will.
4. Avoid customer dissatisfaction.
5. Develop prestige.
6. Make the whole organization sales and service conscious.
7. Clarify letters and shorten them by 10 percent to 15 percent.
8. Pay for its cost in savings in the length, number and set-up of letters.

A nationally known accounting firm has estimated that the average letter costs a little over 36c.

This estimate is considered low by many, but is an important factor, which should be kept before those undertaking business dictation. Modern conditions, competition, and the definite trend toward friendliness and persuasion in all contacts, should make those writing letters more alert to the possibilities of self-improvement in this method of customer-contact.

One outstanding national organization increased its collections from a certain class of customers, from 50 percent to 87 percent, by analyzing the customers and the correspondence, and replacing a printed notice with a well-

thought-out letter. A collection survey by another caused changes in two of the form letters and training on dictated letters, resulting in a 7 percent increase in all collections, at a time when there was every reason to expect a decrease. Another firm concentrated on shortening its letters, by teaching correspondents to use the proper structural arrangement. This resulted in making ideas clearer, reduced expense, time and effort, all redounding to the benefit of this particular company, with no ill effects.

In our investigation in Louisville, preliminary to the sponsoring of the Letter Writing Clinic, it developed that the Letter Counselor has found a definite place among some of the largest corporations in the United States. The movement is spreading, and many firms which do not need a full-time letter supervisor are calling in part-time consultants. Frequently, this takes the form of analyzing and constructively criticizing letters dictated during the day, copies being studied by the Letter Counselor and returned to the company, with suggestions. Approaching this problem from a spirit of helpfulness, it was found that correspondents and stenographers in any firm, that go into a letter improvement program, will actually become enthusiastic. Such training is to their own interest, as well as to that of the firm, and it gives them increased ability, a broader mental outlook and some additional educational background. As a rule, a program of this character stimulates study in other directions, and is a happy and beneficial influence in every way.

Letter writing habits are like any other habits. Most firms watch attendance, tardiness, expense and other details which have to do with their employees, and ignore the "gold mine" in their letters. Letters should be checked continually. New correspondents are taken on and the older ones become careless. As the lovable, but somewhat out-spoken vice-president of a large tire manufacturing company said the other day, "Letter writing is like every thing else we humans do. You've got to keep after 'em all of the time."

Probably the most encouraging reaction to Miss Hower's work in Louisville, greatly enhanced by her splendid personality and twelve years' training as a letter consultant, was the decision of six or seven outstanding firms, which have arranged for a study of their daily correspondence over a four months' period.

The Association was the recipient of many complimentary letters from its members. Among the number were letters from such prominent credit executives as V. H. Weber, of Stratton and Terstegge Company, Louisville, who wrote: "There has been a noticeable improvement in the letters dictated by the nine men who represented our firm. They all feel greatly benefited and considering the reasonable charge for the course, our officers consider it money well spent." Mr. Claude S. Allen, Credit Manager of Peaslee-Gaulbert Corporation, wrote: "Your Clinic here was undoubtedly a success, and the informal atmosphere which you created, made the discussions very enjoyable."

In my opinion, the time is right for local Credit Associations to arouse their member firms to a greater appreciation of the wonderful possibilities presented to them, through the medium of their ambassadors of good will—the written word.

Courtesy, Isaac Goldman Co., N. Y.

". . . and a very happy New Year. Yours very truly . . . P. S. Our invoice of last July is enclosed."

Latin-American credit and collection survey

by WILLIAM S. SWINGLE, Director, Foreign Department, N. A. C. M.

The 29th Quarterly survey of credit and collection conditions in twenty-one Latin American markets, based on the experience of members of the Foreign Credit Exchange Bureau of the National Association of Credit Men, indicates that during 1935 there has been a net improvement in credit conditions in practically all of these countries and a greater promptness in making payments on current business.

In the closing quarter of 1935 there was a falling off in the credit conditions within a number of countries and, therefore, the net gain for the year is not as great in such cases as the improvement during the first three quarters of the year might have indicated.

Collections, on the other hand, generally have shown improvement during the year and at the close of 1935 collections may generally be classified as prompt from the large majority of the markets covered in the survey.

As in previous surveys the index figures are based on the percentages of replies received from those who are actually doing business within these markets. The index of credit conditions refers to conditions existing within the various countries on commercial transactions and does not cover the question of governmental debts or the credit standing of any government or bonded service obligations. The collection index refers to comments on payments for current business and does not reflect the old obligations which may have been tied up on account of exchange difficulties, arbitrary restrictions or conditions of this nature.

At the close of the year, net gain in the index of credit conditions was indicated for twelve countries, most substantial gains being in such countries as Chile, Cuba, Ecuador and Honduras. Other countries in which there is an improvement in the credit index during the year were Argentina, Costa Rica, Dominican Republic, Panama, Peru, Puerto Rico, Salvador and Uruguay. In eight of the countries there was either no net change during the year in comparing the closing quarter of 1935 with the closing quarter of the year previous, or at least only a moderate decline. These countries were Bolivia, Brazil, Colombia, Haiti, Mexico, Paraguay and Venezuela.

In only one country was there a continued net decline in the credit index for the year, namely, Nicaragua.

It will be seen that 1935 generally showed an improvement. Throughout the Latin American markets conditions have become more stabilized and the credit conditions within the country have, by and large, shown improvement.

In comparing the collection index covering payments for shipments made to these markets, the closing quarter of 1935 indicates an improved situation in practically all markets. Substantial gains in the payment of current transactions have been shown in such countries as Brazil, Chile, Ecuador and Uruguay. These may be subject to special permits as in the case of Uruguay or Chile, but payments on business to these markets under proper checking of credit and regulations has not been blocked as previously.

Payments also improved from such countries as Argentina, Colombia, Costa Rica, Cuba, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Salvador.

During the year collections from such countries as Bolivia, Dominican Republic, Haiti, Puerto Rico and Venezuela either remained about the same as in the year previous or indicated but a very moderate decline in the collection index.

In the case of Nicaragua collections during the year became more difficult with a continued net loss in the index in the closing quarter of 1935.

A reference to the graphical charts on Credit Conditions and Collections would indicate the relative position of these countries throughout the year and a comparison between the four quarterly periods of 1935 and the closing quarter of 1934.

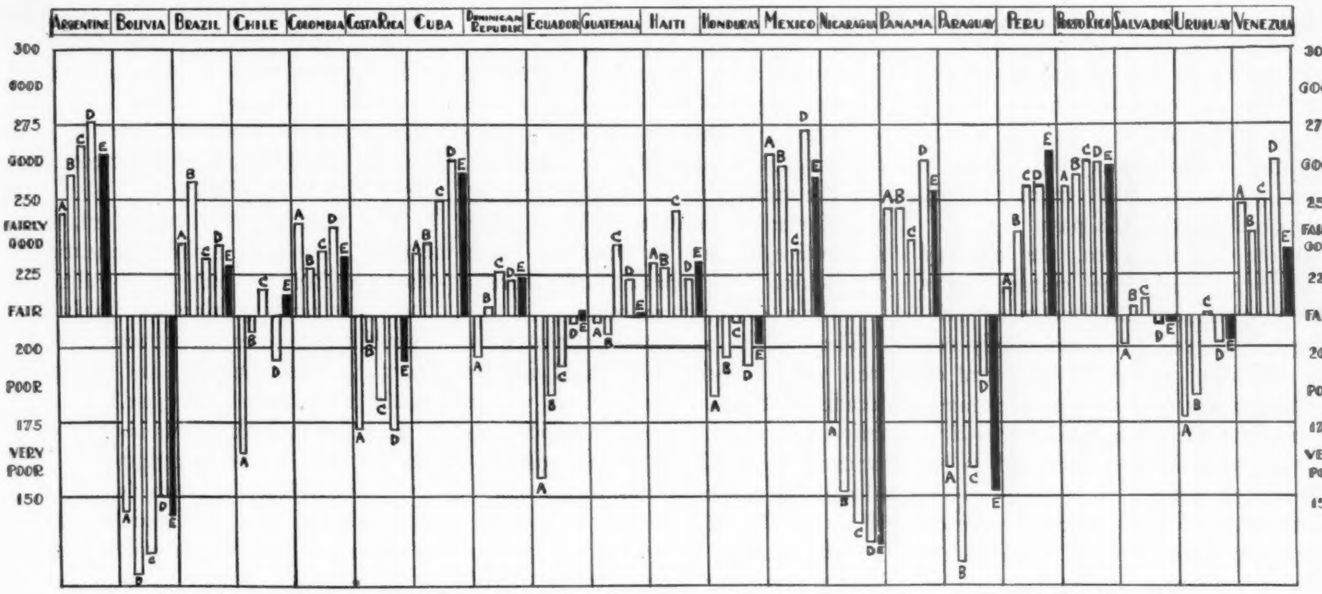
Taking the closing quarter of 1935, we find credit conditions in such countries as Peru, Argentina, Puerto Rico, Cuba, Mexico and Panama generally classified as good, a gain being shown in the closing quarter of the year in the index of credit conditions for Peru. A decline in the index figure for the last quarter of the year was shown for the other countries in this general classification.

In such countries as Venezuela, Colombia, Haiti and Brazil the index of credit conditions indicates a general classification of Fairly Good. No material change is shown during the final quarter for any of the countries within this group with the exception of Venezuela which has declined substantially during the closing quarter.

Credit conditions according to the index may be generally classified as Fair in such countries as Dominican Republic, Chile, Ecuador, Salvador, Guatemala, Uruguay and Honduras. Some improvement was shown for all of these countries during the closing quarter of the year, with the exception of Guatemala; the most substantial improvement being in the case of Chile.

The index of credit conditions for Costa Rica indicate a substantial improvement even though the credit index still remains in a low general classification.

For Paraguay, Bolivia and Nica-



KEY—A: 4th Quarter 1934, B: 1st Quarter 1935, C: 2nd Quarter, D: 3rd Quarter, E: 4th Quarter, 1935

Credit conditions in twenty-one Latin-American countries scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country.

ragua the index of credit conditions may be generally classified as Very Poor.

In the closing quarter of 1935, collections from seventeen countries were classified as Prompt with over 70 per cent of the collections being paid satisfactorily. In this quarter Mexico and Peru headed the list for prompt payments with a high collection index, followed closely by Cuba, Puerto Rico and the Argentine. Gains during the fourth quarter of the year more than over-balanced the moderate declines in the collection index taking place during that quarter.

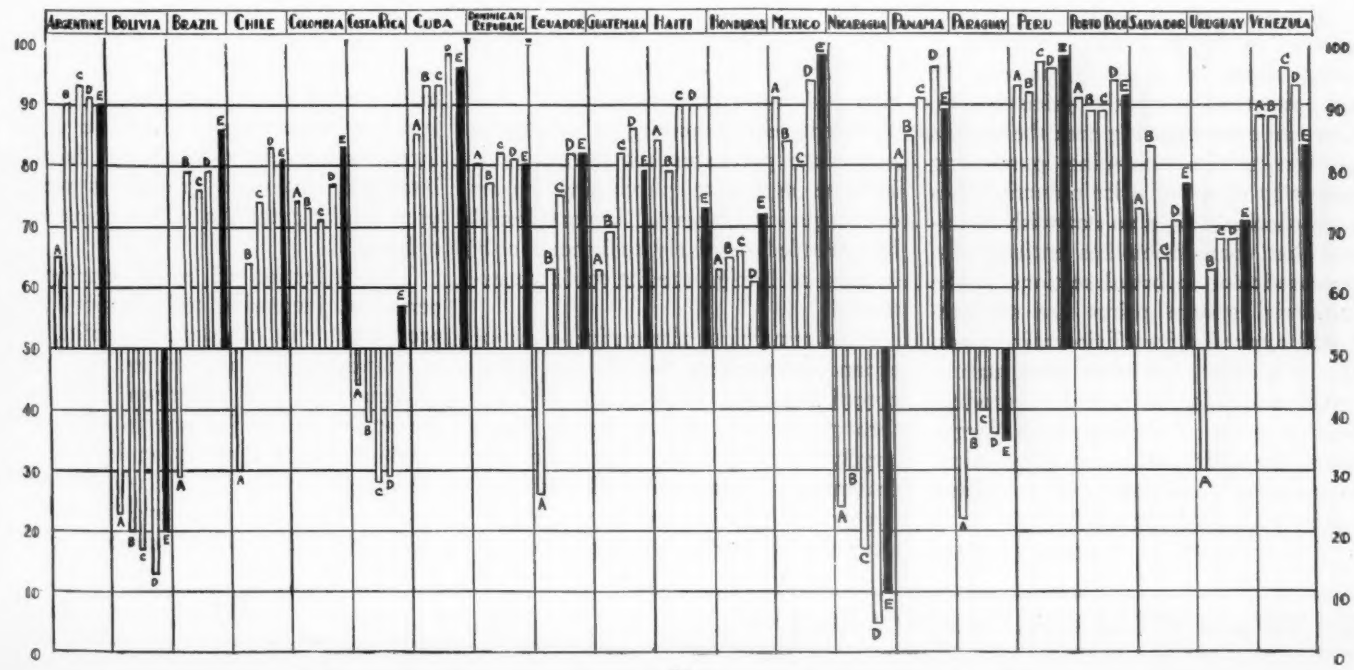
Collections from Costa Rica on current business indicated a substantial improvement and were classified as Fairly Prompt.

Collections from Paraguay, Bolivia and Nicaragua are classified as Very Slow and are at a very low point in the collection index.

During the year there has been a substantial improvement in the exchange situation. Difficulties of exchange transfer have been greatly reduced. Many old accounts have been liquidated during the year by a compromise or adjustment, and with the exception of such countries as Nicaragua and Bolivia the payment of current obligations has shown very substantial improvement with payment coming through satisfactorily on properly checked credit risks. Improvement has also taken place in the liquidation of blocked funds as in the case of Brazil. While at the turn of the year this has not definitely been worked out, considerable progress is being made. The liquidation of other blocked funds has to a large extent been arranged for. Nicaragua presents the most difficult situation for current business.

If improvement (*Continued on page 29*)

Collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country in each survey.



Capitalism CAN do the job!

(*Cont. from page* 13) of labor leaders that labor is something more than a commodity is correct; labor is also a consumer. Fortunately this fact is becoming more and more widely recognized as the years pass.

In the second place, the primary mechanism which the system relies upon to distribute the benefits of technological progress has increasingly not been permitted to operate. Instead of reducing prices as a means of expanding markets there has been a growing tendency to maintain prices and to let well enough alone.

Interferences with competitive price movements have occurred as a result of the development of at least three major types of business organization. The first is the unified monopoly or industrial combination under single management. The second, found chiefly in Europe, is the cartel or "collective monopoly" under which there is group control of production with a view to stabilizing prices in a given industry. The third is the trade association which seeks, usually through informal cooperation, to stabilize certain conditions within particular industries without interfering with the control of production. There are, of course, many different types of trade associations and not all of them are able to exert an influence upon prices; but by and large trade associations consciously or unconsciously promote price stability. These associations, unlike consolidations, have generally been viewed with favor by the United States government as a means of stabilizing business.

Thus industrial policy, as it has evolved in this and other countries in recent times, has tended to impede the free functioning of the price system. Over an ever widening area the process of persistently expanding purchasing power by means of price reductions has been checked. We do not wish to imply that competition has entirely disappeared; for in broad sections of the industrial system prices are still reduced as productive efficiency increases. But as industry reaches a more mature stage of development, and as production becomes concentrated in larger units, the policy of maintaining prices to stabilize conditions and safeguard profits prevails increasingly.

The necessity of progressive price reductions as a means of expanding purchasing power and markets appears to have been forgotten alike by business managers and economic statesmen. Yet the conclusion is inescapable that, in so far as the effort to stabilize prices is effective, we are blocking the broad distribution of income and thereby throttling economic progress.

The results of these policies have been most clearly manifested in the decade of the twenties. This was a period of remarkable technological advancement. Both the amount of capital and the efficiency of its use increased in nearly all lines of production. But the benefits of this increasing efficiency were not automatically passed on to the masses of consumers either through the medium of proportional wage increases or proportional price reductions. Wholesale prices of manufactured commodities declined a scant 5 per cent and retail prices did not decline at all. In some lines of industry there were, to be sure, substantial decreases in prices. In other lines there was virtually no change, while in some there was a substantial increase.

Faced with productive capacity in excess of existing consumer demands business men in the main sought a solution of the problem along the following lines: First, by stimulating consumptive desire through extensive advertising campaigns; second, by sales on the installment plan; and, third, by sales in foreign markets.

Competitive advertising could do little to increase the aggregate consumptive demands of the masses, since it did not increase their purchasing power and the volume of their savings which might be diverted to consumption was of negligible significance. Installment selling could give a bulge to immediate purchases but it could not increase aggregate purchasing power over a period of years. Exports could be expanded relatively to imports only so long as foreign credits could be extended.

The remaining alternative, that of expanding markets for all the great necessities and conveniences of life, through a reduction of prices, came largely to be ignored. Instead of endeavoring to put additional consumptive power back of each new addition to productive power we sought, by and large, to maintain the price structure with a view to the stabilization of existing conditions. In thus attempting to stabilize existing conditions, not only was economic expansion held in leash but the seeds were sowed for economic instability in the future.

The question will be raised, however—Is not price stability essential to the stability of business conditions? Does not price cutting inevitably tear down the business structure and demoralize the markets and thus do vastly more harm than good?

In order to look at this issue in clear perspective, it is necessary to distinguish carefully between the situation that prevails in a period of acute depression and that which exists in times of prosperity. When in a period of business reaction prices in general are falling sharply, with each new decline intensifying business uncertainty, further general price reductions do not constitute a remedy for the existing demoralization. Stabilization, at some point, always has to be reached before recovery begins. It is our vivid experience with the destructive price warfare in disorganized periods of general deflation, that makes men fearful of the effects of price reductions.

In a period of prosperity, on the other hand, a reduction of prices—made possible by improvements in productive efficiency—would have no demoralizing effects. In the nature of the case, such price reductions would be gradual in character, and since they would not be accompanied by either a restriction of output or a decrease in buying power, they would contribute to stability of an enduring character.

Industrial policy which rivets attention merely upon the maintenance of a favorable existing situation is shortsighted industrial policy. The maintenance of the status quo in prices is a barrier to progress. Unless wage increases or other offsetting factors intervene, economic growth is measured by the extent to which prices are reduced.

The reduction of prices during a period of increasing technological improvement will not destroy profits for businesses which are increasing their efficiency. If the reduction in prices is matched by the increase in efficiency —which means a reduction in costs— the margin of profits is obviously not reduced. On the contrary, in so far as the reduction (*Cont. on page* 38)

Foreign trade— or else

by HENRY A. WALLACE
Secretary of Agriculture

Lower tariffs would necessitate urban readjustments but there would be compensations. Lower tariffs would aid all people who purchase a varied bill of goods, including all consumers who are salary or wage earners and all industries except those that are not efficient enough to compete with foreign goods in the American market. Moreover, the adjustments necessary for less efficient industries would not exceed in difficulty or in cost the somewhat different adjustments that will be necessary if agriculture fails to regain its foreign market, Secretary Henry Wallace says.

"Permanently to regain any substantial part of our lost export trade, it will be necessary greatly to increase our imports of goods and services. Chiefly the increase must be in goods. There is no other sufficiently large possibility. Acceptance of goods in payment for our exports seems likely to be the only adequate basis for an indefinite time. The alternatives to thus exchanging what we produce above our domestic requirements for foreign goods that we could consume are not attractive. For the most part they would involve a further limitation of farm production with additional unemployment in town and country or a drastic reorganization to produce things we are not well fitted to produce and a permanent lowering of our real standard of living.

"Without foreign trade, agriculture will have to continue crop limitation and seek compensation in higher unit prices. It will have to make detailed cooperative adjustments, with inevitable repercussions on non-farm business. In the fullest sense, therefore, the agricultural problem is a national problem, the burden of which must be nationally shared. That is indisputable.

"There is room for dispute only as to ways and means, and as to the distribution of the cost. Non-farm groups must decide whether to take the consequences of denying agriculture its foreign market, or to restore this market to the farmers at the cost of certain readjustments in inefficient industries. Non-farm interests already know something of the penalties of farm contraction toward a domestic basis, but they fear that the other course, including tariff reform, would mean the contraction of urban industries. They see possible injuries but do not appreciate the compensations. Lower tariffs would create new employment by encouraging exports.

"We approach an impasse. In defense of the exclusion policy—or the refusal to take imports for exports—those who believe they profit by it point to its apparent effect on domestic production and employment. There is no gain whatever and probably a distinct loss because it limits the production of the things we are best fitted to produce.

"As a means of preventing unemployment, the exclusion policy is futile; for unemployment is not exclusively urban but also rural. Unemployment results quite as surely and in as large a volume from the present paralysis of export trade as from pressure on the prices of sheltered industries. Whatever reduces farm production reduces farm employment, immobilizes farm capital and farm land, breaks down the capital structure of agriculture, reduces farm owners to tenancy and farm tenants to wagedom, and creates a surplus of farm labor which must seek relief.

"Unemployment is also caused in the handling of farm exports. Refusal to take imports for exports may change the distribution of unemployment it may pile rural unemployment on top of urban; but it does not reduce the total. Protection to one interest is greater damage to another. There is no ultimate gain even to the protected occupations; for out of wages, interest, and dividends the busy must support the idle. False stimulus to a few industries means greater distress for agriculture and greater need to divert industrial income to farm relief.

"As a matter of fact, the exclusion policy actually creates unemployment. By paralyzing export trade, it keeps within the country (or makes it necessary to prevent the production of) a mass of surplus commodities for which the country has no need but which under favorable international trade conditions it could exchange for things it does need. Farm goods do not pass freely into consumption beyond a certain point no matter how much purchasing power may be available, as consumer requirements are not unlimited. The capacity of the stomach limits food consumption.

"Consumption of industrial commodities, on the other hand, may in many cases increase indefinitely with purchasing power. To exchange farm surpluses for industrial goods is therefore a direct means of promoting consumption. It changes the surplus into a form in which consumption is not checked by lack of physical need but only when it encounters a shortage of maldistribution of buying power. Conversely, by refusing to exchange unwanted farm surpluses for foreign goods that could be consumed if we had them here, we prolong the surplus difficulty. We postpone the time when it will again be necessary for men to resume work; that is to say, we perpetuate unemployment.

"Taking imports to pay for exports should not embarrass a country, since the sale of one thing implies the power to buy another. When the United States sells cotton or wheat abroad it obtains command over an equal value in foreign goods. Why does it hesitate to bring in the goods? Why do many other countries similarly object to receiving imports for exports?

The general insistence on one-sided trade, on selling without buying, suggests that there must be some good reason for it. There is. Taking imports for exports does not get rid of surpluses but merely changes their form. Something more than the exchange of dissimilar goods is necessary. Purchasing power must be distributed too. This is the real stumbling block. Reciprocal international trade, with each country's exports approximately

balanced by imports, leaves the problem of matching consumption with production essentially unchanged and emphasizes the necessity for internal adjustment. Whether exporting will create purchasing power enough to absorb the equivalent imports depends materially on who get the purchasing power.

To stimulate consumption, purchasing power must be in the hands of those who need or desire goods and services. International trade may increase needs or desires by creating opportunities to satisfy new wants. But if purchasing power is very unevenly distributed it will not create enough new wants accompanied by the power to satisfy them. So, restoration of international trade will not by itself eliminate the problem of the surplus. It requires the support of a domestic policy that maintains a distribution of the national income which will enable many potential buyers to be actual buyers.

"Here, then, is what we must recognize: The redistribution of income is not a proposal but a necessity. In one way or another it results automatically from any of the courses open to us. We cannot avoid it by ceasing to produce for export and by limiting our imports to necessities. That is to cripple agriculture, to make permanent the necessity for costly farm relief, to compel disadvantageous urban adjustments, and to create scarcity. The resulting unemployment involves heavy public expenditures. In such circumstances we first reduce the national income and then redistribute the reduced total to avert disaster.

"The other course open to us involves a redistribution of income likewise, but under happier conditions. With production stimulated through international trade, the total national income would increase, and though the increase would have to be distributed so as to increase consumption per capita, the operation would raise the national standard of living. By this means we would be balancing the national consumption with the national production or its equivalent—and on a rising scale."

"Mamma, what becomes of a car when it gets too old to run any more?"

"Why, somebody sells it to your father, dear."

This month's collectors:

Submitted for the approval of our readers

by J. F. MULLEN, Credit Manager, Ballou & Wright, Seattle, Wash.

I

Gentlemen:

We received an inquiry in the mailing relative to our experience with your Company.

This type of inquiry is being received right along on the various firms who buy nationally and are very commonplace in the ordinary course of business.

Our reason for calling this to your attention is because at present we note on your account there is an item that was due on January 10th, in the amount of $154.57 which still remains unpaid, and in forwarding the standing of your Company, we do not wish to show this past-due item as we feel that through some reason or another this has been overlooked.

In order that we may answer the inquiry promptly, we are wondering if you will not kindly arrange to forward us a remittance for this amount representing that portion of your account which is in arrears on our books and upon receipt we will then be able to answer the inquiry showing your account on a current basis.

Assuring you that we are calling your attention to this with the idea of cooperating with you and trusting we will hear from you by return mail, we are........

II

Ballou & Wright
Seattle, Wash.
Att: J. F. Mullen

Your letter of April 30th regarding the past due balance on the lamp account: we wish to state that we are sorry that this balance was not taken care of sooner, however, these things occur sometimes when an account is passed up and not paid when due.

We wish to thank you for your cooperation in the matter and as you will note we have dated the check as of May 10th to which we feel sure you will not object.

by J. F. MOWREY, Asst. Secretary, McKesson-Duff, Chattanooga, Tenn.

Gentlemen:

If some fellow could produce a collection letter which the retailer and wholesaler could use to get 1C0% results in collections—he'd be a wonder, wouldn't he?

That cannot be done. Personally, we believe the best way to obtain the cooperation of anyone is to simply ask for it, in a fair, friendly way. That's what we are trying to do in this letter.

You have a balance of $——, which is a little over due. Our margin of profit is short. In order to navigate, we necessarily must collect pretty close to a thirty day basis. And we are wondering would you mind sending back to us in the enclosed envelope (which requires no postage) check for the over due balance?

"Attached is a copy of a letter on collections forwarded to a customer, and also their reply showing that this letter succeeded in obtaining a check of $154.07, which was several months overdue at the time," Mr. Mullen writes us.

"This stunt of benefiting by credit inquiries being made and advising the customer that it will have to be answered, is undoubtedly an old idea. But we are forwarding it to you with the thought in mind that while it is an old idea, yet it is very often successful such as this case proved, and we feel that a reminder to the readers of Credit and Financial Management regarding it may be helpful."

A great deal of collection letter writing, however, can be obviated if proper care is taken in analysis of credit responsibility. The most fundamental, up-to-date method ever devised for knowing just how worthy your credit applicant is as a risk has achieved foremost standing among credit executives because it is based on the current record of the customer in paying his other debtors. There is no substitute for a Credit Interchange Report.

Recovery patterns are similar

Along with general recognition that the industrial recovery of 1935 was the first vigorous, sustained and wholly normal business revival since depression began in 1930, attention has been called to some interesting chronological facts. This forward movement occurred two years after the low point of depression was reached in 1932, and in the sixth year after the panic of 1929. The similarly positive recovery after other financial panics occurred at almost exactly the same distance of time from the panic date itself, says the "New York Times."

Vigorous revival from depression after the panic of 1873 came first in 1879. Like 1935, that was the sixth year after the collapse. Similar recovery from the depression after 1893 came in 1899; another six-year interval. Much the same kind of recovery was witnessed in 1912, five years after the panic of 1907; but the Balkan War and fear of a general European conflict stopped it.

But the statistically "low point" of depression in the Nineties came in 1894, one year after the panic, whereas the low point reached in 1932 was four years after 1929. The low point after 1907 was apparently reached in 1908; there was rapid but not sustained recovery in 1895. The probable reason for this difference from our latest depression was that after 1930 the whole world was in financial trouble simultaneously, whereas Europe was not severely tried in the sequel to 1907 and England's own crisis of the Nineties came in 1890.

When our own difficulties were at their worst in 1894, the British markets were recovering and were able to help us out. The immediate aftermath of 1873 was more like that which followed 1929. Serious trouble overtook Europe as well as America during 1873; our own depression reached its worst stage during 1877, or four years afterward.

When final and genuine recovery occurred in 1879 and 1899, it was stimulated by events; specie resumption in 1879, defeat of free-silver coinage and the easy victory over Spain in the years immediately before 1899. On both occasions, reorganization of bankrupt companies was under way already. The striking fact is that the 1935 recovery came when similar outside circumstances seemed to be against it.

U. S. sales and collections

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Good	Good	N. M.	Albuquerque	Good	Good
Ariz.	Phoenix	Good	Good	N. Y.	Albany	Fair	Fair
Calif.	Los Angeles	Good	Good		Binghamton	Good	Good
	Oakland	Good	Good		Buffalo	Good	Good
	San Diego	Good	Good		Elmira	Good	Fair
	San Francisco	Good	Good		Jamestown	Good	Good
Colo.	Denver	Good	Good		Rochester	Good	Good
	Pueblo	Good	Good		Syracuse	Good	Good
Conn.	Hartford	Good	Good	N. C.	Charlotte	Good	Good
	Norfolk	Good	Good	N. D.	Fargo	Good	Good
D. C.	Washington	Fair	Good		Grand Forks	Fair	Fair
Fla.	Jacksonville	Fair	Slow	Ohio	Dayton	Fair	Good
	Tampa	Slow	Fair		Toledo	Fair	Good
Ill.	Chicago	Good	Good		Youngstown	Good	Good
	Peoria	Fair	Fair	Okla.	Oklahoma City	Fair	Fair
Ind.	Evansville	Good	Fair	Ore.	Portland	Good	Good
	Fort Wayne	Fair	Good	Pa.	Allentown	Fair	Fair
	Indianapolis	Good	Good		Altoona	Fair	Fair
	South Bend	Good	Good		Harrisburg	Fair	Good
	Terre Haute	Fair	Fair		Johnstown	Slow	Fair
Iowa	Burlington	Fair	Fair	R. I.	Providence	Fair	Fair
	Cedar Rapids	Fair	Good	S. D.	Sioux Falls	Good	Good
	Davenport	Good	Good	Tenn.	Chattanooga	Fair	Good
	Des Moines	Good	Good		Knoxville	Fair	Fair
	Sioux City	Good	Fair		Memphis	Fair	Fair
Kan.	Wichita	Fair	Fair		Nashville	Good	Good
Ky.	Louisville	Good	Good	Texas	Austin	Fair	Good
La.	Shreveport	Good	Good		Dallas	Good	Good
Md.	Baltimore	Good	Good		El Paso	Good	Good
Mass.	Boston	Good	Good		Houston	Fair	Good
	Springfield	Good	Fair		San Antonio	Fair	Fair
Mich.	Bay City	Good	Good	Utah	Salt Lake City	Good	Good
	Detroit	Good	Good	Va.	Bristol	Good	Good
	Flint	Good	Good		Richmond	Good	Good
	Grand Rapids	Good	Good		Roanoke	Fair	Good
	Jackson	Good	Good	Wash.	Bellingham	Fair	Fair
	Lansing	Good	Good		Seattle	Fair	Fair
	Saginaw	Good	Good		Spokane	Good	Fair
Minn.	Duluth	Fair	Fair		Tacoma	Fair	Fair
	St. Paul	Fair	Good	W. Va.	Bluefield	Good	Good
Mo.	Kansas City	Fair	Fair		Charleston	Fair	Fair
	St. Joseph	Fair	Fair		Clarksburg	Fair	Fair
	St. Louis	Good	Fair		Huntington	Good	Good
Mont.	Billings	Fair	Fair		Parkersburg	Fair	Fair
	Great Falls	Good	Good		Wheeling	Fair	Good
	Helena	Fair	Good	Wis.	Fond du Lac	Fair	Good
Nebr.	Omaha	Good	Good		Green Bay	Good	Good
N. J.	Newark	Fair	Good		Milwaukee	Good	Good
	Trenton	Slow	Fair		Oshkosh	Fair	Fair

Collection and sales comments:

Sales in Phoenix, Arizona, have been the largest in the past five years. An increase in their collections is due to a general improvement in conditions and more strenuous efforts being made in effecting their collections. . . . A steady improvement is being noted in Denver, Colorado, in both their collections and sales. Their retail sales are generally up about 20% over a year ago. . . . Chicago, Illinois, reports that the discounting and prompt payment of bills is evidenced by a low percentage of past due receivables. This is true in spite of consistent increase in sales. Companies are reporting an average of from 10% to 20% increase of sales volume over the same period last year, while still some companies are unable to fill orders. . . . The prospects in the area of South Bend, Indiana, look brighter than at any time during the past six years and are most encouraging. . . . In Charlotte, N. C., all indications at present point to a good January in sales with business men of this section feeling very optimistic for the first quarter of 1936. . . . Toledo, Ohio, says collection on current accounts are good, but it is still hard to collect on old accounts. . . . An improvement of about 10% in lumber sales as compared with last year is shown in Portland, Oregon. The department store sales are up between 10% to 20%; likewise, wholesalers' sales. . . . The business outlook by manufacturers in Boston, Massachusetts, is reported Good by 28, Fair by 12 and Slow by 1. For wholesalers and jobbers it is reported Good by 14, Fair by 14, and Slow by 2.

Summary

This month:

Collections:		Sales:	
Good	55	Good	64
Fair	40	Fair	32
Slow	2	Slow	1

Last month:

Collections:		Sales:	
Good	49	Good	47
Fair	35	Fair	43
Slow	9	Slow	3

Election years are not always "bad for business"

Despite the frequently-heard remark that "Presidential years are always bad for business", the record fails rather curiously to bear out the assertion, the "New York Times" points out. During forty past years, only four out of nine "Presidential years" can strictly qualify. Those were 1920, with its midsummer crash of staple prices; 1908, which followed a great panic; 1900, when a previously overdone production suddenly declined; and 1896, when business activities were almost suspended during the "Bryan free-silver campaign".

Recovery from acute depression really began in the "Presidential campaign year" 1932. Trade was extremely active in 1928. Distinct recovery from the previous year's setback came in 1924. The "war boom" was in full swing during 1916, and 1912 was the first real "recovery year" after the 1907 panic.

Latin-American credit survey

(*Cont. from p. 21*) continues in the current year on the same basis as the past year we may look forward to increased business to be handled on a satisfactory basis. The further elimination of exchange restrictions and other regulations which have greatly hindered our trade in these markets.

At the opening of the year no serious political disturbances are existing and the improved stability of the conditions in these markets would indicate that further improvement might be be expected during the current year. In many countries, such as Argentina, Brazil, Mexico and Peru, conditions within the country are good, business is going forward, and Latin America as a whole during the coming year, should move further to regain its position not only as a buyer of American products but also as an increasing source of supply for important commodities.

Industry's job

by ALFRED P. SLOAN, Pres.
General Motors Corp.

Industry's responsibilities can no longer be adequately discharged, however efficient and effective it may be, with the mere physical production of goods and services. As our national economy becomes more and more involved, the margin of error within which we can operate and maintain economic and social equilibrium, to say nothing of the vital urge for progress, is being constantly narrowed. Hence I believe that the time has been reached when a much broader responsibility must be assumed.

We must develop ways and means by which to better correlate the industrial machine and its component parts with the national economy as a whole, in order to more effectively promote human progress and security and to advance civilization. Inaction will ultimately mean the challenging of industry's position. Failure will bring, sooner or later, the urge for more and more interference from without—Government in business. And, if we fail to recognize and discharge this broadened responsibility, have we any adequate right to complain of the penalties that we must pay?

Now, if we accept this viewpoint, we must establish an objective. For this, I turn to the Constitution of the United States—the preamble of which recites, in substance:

To promote the general welfare of all the people. In other words, we must move toward a soundly based and widely distributed economic well-being. . . . But, we must have a yardstick by which we can appraise and separate those proposals that promote our objective, as distinguished from those that retard our progress. Our yardstick, according to my thinking, consists of the most effective balance between the following:

First. The reduction in the real costs and selling prices of goods and services.

Second. A more economic balance of national income through policies affecting wages, hours, prices and profits.

The first presupposes that industry must strive for the most economic use of labor and material—the highest technique of management and the capitalization of the most efficient instruments of production. The purpose, manifestly, is to bring selling prices within the range of the greatest number. The second recognizes the fact that, irrespective of what we may accomplish in expanding our markets from without, we must to the most effective degree possible, develop the greatest possible consuming power from within. There lies our greatest opportunity.

"Domestic Commerce."

The business thermometer

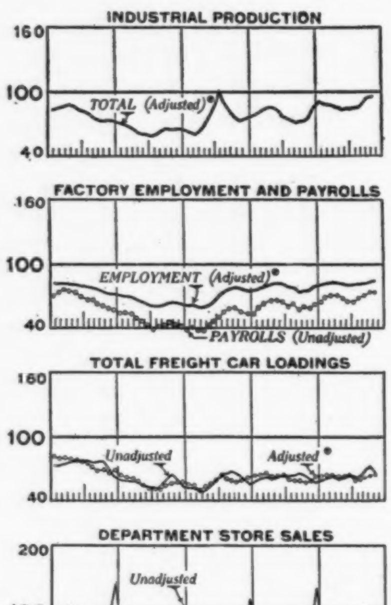
1935 earning statements: Corporate reports issued during January were for the most part indicative of an improved business situation. President Gifford of the American Telephone and Telegraph Company announced late in January that the consolidated earnings of his company would be about $7 per share as against $5.96 in 1934 and '33. In this connection it is noteworthy that the system had 13,845,000 telephones in service at the close of 1935, a gain of 460,000 or 3.5% during the year. However the A. T. & T. volume of business still is 11.2% below the record of 1924. President Gifford points out that a big spurt in volume was registered during the last quarter of 1935. Western Union Telegraph also registered a considerable gain in 1935. For the first 11 months the net income stood at $4,452,013 as against a total of but $1,765,583 for the similar period in 1934.

Automobile sales: It is too early to make a comparison on motor car sales for the last four months as compared with a similar period in previous years. It will be recalled that the auto shows were moved up to November last fall, while in previous years the new model sales were only just getting into full swing by the first of February. Reports from all over the country indicate that dealers are increasing their sales and that the used car problem which caused some worry late in 1935 has been somewhat diminished since the first of the year. Those interested in the motor industry are looking with anxious eyes for any signs of a backwash against auto sales from the AAA decision.

Steel trade: Col. Ayres of the Cleveland Trust Company pointed out in a recent bulletin that "the iron and steel industry is the most important indicator of change in American business activity." Col. Ayres also pointed out that the steel industry had enough business in 1935 to operate at a profit —which was the first full year of operations at such a level since 1930. The Cleveland banker further points out however that this increase in business comes mostly from lines which are not classified as capital goods. The operating rate in the steel industry for 1935 was 48.5% as compared with 37.4% in '34 and 19.5% in 1932. Of the total steel consumption in 1935, the automobile industry used 24%, building used 13% and railways used 8%.

Charts from the U. S. Dept. of Commerce

1923-25=100



Carloadings: Reports on revenue freights showed improvements during the first two weeks in January. The week ending January 11 was 11% over the same week in 1935. The total of car-loadings shows a gain for this period and the Misc. freight also used more cars. However the merchandise loadings were down slightly over the previous year. Loss in livestock shipments was one of the most noticeable items on the car-loading figures for this period.

Retail trade: There are many and varied predictions about the effect of the bonus money on retail trade during the next three months. With $2,300,000,000 turned largely in these channels, there seems little doubt of a boost in sales totals. In the meantime, New York department store sales reported a gain of 9.9% during the first 13 shopping days in January as compared with the same period last year. It will be recalled that Christmas trade in the New York area was slow in getting started but that it came on during the last ten days before the Holiday to beat the previous year.

Furniture markets goods: The reports from the January furniture markets indicate a continuance of good orders. Seidman & Seidman, specialists in furniture accounting, point out that employment in the trade has held up exceptionally strong and that the trade is encouraged over the first reports on orders taken at the January markets.

Sears-Roebuck sales higher: Sales by Sears-Roebuck during the year which closed on Jan. 29 indicate a gross of $415,000,000, which represents a net profit of $4.15 per share, according to an estimate issued by D. M. Nelson, merchandise manager. The sales total will be the highest for 1935 in any year since 1929, when the company made a net profit of $6.62 per share. That the loss of the AAA will not have an adverse effect upon the business of his company seems to be indicated in the prediction by Mr. Nelson that Sears-Roebuck sales would "increase better than 5% and that most of this increase will come from rural areas."

The other's side

How much friendliness?

Dear Sir:

While the writer does not wish to become critical, still he cannot refrain from voicing a word of displeasure to the monthly collection letter appearing in the December issue of Credit and Financial Management on page twenty-four.

A letter such as the one referred to might serve if the company using it covered a limited territory and all customers were known personally by the credit manager. However, when one is shipping merchandise all over the United States and many foreign countries it would seem that the letter presupposes too much when it considers everyone addressed as a friend. Many business men who are serious minded would object to receiving such a letter for the reason that it is overly familiar.

While letters written by the writer, as well as those emanating from his department may at times be written in a lighter vein than usual, the writer does not recall where the release of such a letter has not brought criticism from some customer or from a sales representative located in a distant city. As a comparison to the letter appearing in the December issue of your magazine, the writer would be pleased to have you read copy of letter attached, which was released to three hundred and nine customers of all nationalities located throughout this country early in December. The customers in question were owing a total of $26,230.04. We promptly received settlements from one hundred and sixty-one accounts in the total amount of $16,979.71. These last few words were added as an after-thought to prove that the letter will collect money.

Very truly yours,
The Federal Glass Company,
E. W. Hillman, Treasurer

Gentlemen:

Shortly we will conclude another year and it would be unmindful of the members in this department if they failed to express their appreciation for your patronage and co-operation during the year 1935.

Their wish is that you experience a Happy and Profitable Christmas Season and a Prosperous New Year.

Before closing our records for this year, we are quite anxious to have all accounts that have exceeded our usual terms of thirty days net placed in balance so that it will be possible to make a report to our directors that will meet with their approval and commendation.

We ask, therefore, that you send your check by return mail for the purchases you made during the month of October, which amounted to $367.52.

Accept our thanks for your consideration.

How NOT to lose money!

A system for determining the profit or loss to be expected from any sales volume, developed by Professor Walter Rautenstrauch, head of the Department of Industrial Engineering of Columbia University, was announced with a statement that its general use would cut business losses in the United States by nearly $5,000,000 a day.

"If such a system of analysis were used generally, it would decrease the hazards both of investment and management of business enterprises, because it is the only method so far devised by which the probable income from business ventures may be estimated," Professor Rautenstrauch said.

The method was developed after study of the financial reports of many

industries, the announcement said.

The practicability of the method has been determined, the announcement continued, not only in the budgetary control of corporations but also in deciding on the advisability of bank loans. The method is also of value, Professor Rautenstrauch said, in handling the portfolios of trust funds, since it provides a method of estimating the security of the investments made and their probable enhancement in value.

Spending the bonus

If the World War Veterans get what their sponsors in Congress are asking, they will have just under 2 billions of extra money to spend next year. What will they do with it? The following table shows what they did with the 1 billion or thereabouts which they received in the form of 50 percent loans on their Adjusted Service Certificates in 1931. These figures are the result of a survey made by the Veterans Administration at the time and checked with a similar study by the Department of Commerce. They are estimates, but are probably the best available, "Sphere" reports.

HOW VETERANS SPENT THEIR 1931 LOAN BONUS

(in percentages)

	Personal and family necessities	Purchase of automobiles, purpose undetermined	Expenditures resulting in no practical benefits	Business expenses	Investment
Eastern area	71.6	7.1	7	9	5.3
Central area	62.9	7.4	5.2	10	14.5
Southern area	66.1	9	9.5	9.1	6.3
Western area	60.3	6.4	5.8	7.5	20
General average	65	9	7	9	11

The term "personal and family necessities" includes: Clothing, food, furniture, payment of overdue bills, hospital and doctors' fees. The investment item includes: Stocks, bonds and deposits in savings banks and building and loan associations. The classification under "business expenses" includes: Investment in business enterprise, purchase of seed, fertilizer, farm implements and livestock; reinstatement of Government life insurance or old line insurance, payment of loans secured on life insurance policies, purchase of homes, improvement of homes, payment of mortgages, payment of bank loans, payment of taxes and securing legal assistance.

A question is: How will these percentages change in the expenditure of the forthcoming bonus? There seems little reason to doubt that the change will be substantial and, probably, most noticeable in an increase of the last two items and a decrease in the first.

There are several reasons for this forecast. In the first place, the earlier distribution through loans went to 40 per cent who were unemployed. It is reasonable to assume that, with advancing recovery, this percentage will have been materially reduced and that employed veterans will be more likely to spend their money on, say, permanent improvements to their homes, or the purchase of homes, than on overdue bills and the bare necessities of life.

In the second place, of the 3.5 million veterans who own certificates, more than 400,000 have not borrowed at all. Thus, roughly, 400 million of the new money will be received by men to whom it will come as something of an unexpected and unsought windfall. Certainly a great share of this will flow into investments, homes, etc. . . .

In general, the industrial regions where unemployment was becoming acute, in 1931, showed 75 per cent or more of the loan proceeds going into "necessities." In 1936, with distress taken care of by the Works Progress Administration and a steady rise in employment, the beneficiaries will put their money into the stock market, savings, substantial home improvements, better motor cars and, possibly, trips to Bermuda and New York; or spend it as the Veterans Administration delicately puts it, "so as to receive no practical benefits therefrom."

A friendly little game

Sam: "Listen heah, boy, jes' what kind o' life is you been livin'?"

Rastus: "Oh, ordinary, jes' ordinary."

Sam: "Well, if yo' pulls any mo' aces out o' yo' shoe, yo' ordinary life is goin' to mature."

Paging  books

Bankruptcy—past and present

BANKRUPTCY IN UNITED STATES HISTORY. By Charles Warren. The Harvard University Press, Cambridge. $2.00.

As far as we know, this is the first historical treatment of the subject of bankruptcy. The author treats the progress of the Bankruptcy Act from 1789 to date, dividing his treatise into three periods—that of the debtor, that of the creditor, and that of national interest. The colorful Congressional debates on the subject of bankruptcy are properly used for much of his material.

It is significant to note that practically every financial crisis from the beginning of our national government has been attended by the passage of stay laws in states and by pressure on Congress for bankruptcy legislation. Again in this most interesting book is proof that history continues to repeat itself. Not only is this book sincerely recommended to financial and credit executives, but because of its historical treatment, it will be of great interest to all business men as well as general readers of history.—B. B.

Retailing guide book

GETTING AHEAD IN RETAILING. By Nathan M. Ohrbach. The McGraw-Hill Book Company, New York. $2.50.

With a foreword by Kenneth Collins, the spark-plug in the well-known retail stores of the Gimbel chain, this book is more than a "how to succeed" exposition or an analysis of what to do so that a retail business will be successful because it touches more angles than is usual in a work of this kind.

For instance, the author discusses the matter of getting a job in the retailing world and the various steps in climbing the ladder of success, but he analyzes also such factors as merchandise, prices, retail records, human nature, salesmanship, retail failures and their causes and, throughout the book, carries his work along with such a high tone of enthusiasm and interest that, for once, we have something far above the average in a business book—something of intrinsic merit enlightened by an intelligent mind.—P. H.

Among those present:

BLACK SHIRT, BLACK SKIN. By Boake Carter. The Telegraph Press, 1 Park Ave., N. Y. $1.50.

The well-known radio commentator and former war correspondent develops the background of the Italo-Ethiopian squabble in an entertaining and clarifying book. The best popular analysis of the subject that has appeared to date.

BUSINESS OFFICES: Opportunities and operating methods. By G. L. Harris. Harper and Brothers, New York. $2.50.

The field of office management has had much written about it but nothing has approached the completeness of this book. Departmental operations of a business organization entirely from the viewpoint of the office manager are described and analyzed by Mr. Harris, who has taught the subject and who is active in one of our large corporations at present in connection with this type of activity.

Is industry moving from the large cities?

An answer to the question as to whether industry is becoming decentralized is supplied by a recent study on population distribution in the United States made by Daniel B. Creamer of the University of Pennsylvania and published in the "Labor Information Bulletin."

Between 1899 an 1933 there was a gradual shift of industry away from the larger metropolitan cities. During this period the concentration of manufacturing establishments within the larger cities steadily diminished. The shift of industries into smaller communities did not, however, affect the concentration of industrial areas in the United States. Industry is still largely confined within 200 of the 3,000 counties in the country.

The movement of factories and plants away from larger cities has not been general. It has been confined largely to industries such as boots and shoes and textiles, where labor costs constitute a relatively high proportion of the total costs. In search for cheaper labor these industries have left the large cities, but have not gone into the open and sparsely populated agricultural sections of the country. Generally they have moved into the smaller semi-industrial and non-industrial towns close to metropolitan areas.

In 1899 the 33 major industrial areas in the United States, shown on the map, provided jobs to 578 out of every 1,000 workers employed in manufacturing industries. Thirty years later, in 1929, these areas still contained 562 out of every 1,000 factory workers in the United States. In 1933 this number was 544.

During the same period, however, there was a more pronounced shift of factories and plants from the larger cities to the smaller communities within each industrial area. In 1899 the metropolitan cities in the 33 major industrial areas contained 68.3 percent of all factory workers in these areas. The suburban cities and towns close to the metropolitan center accounted for an additional 6.4 percent. The remaining 25.3 percent of the factory population was scattered in the adjacent smaller communities.

In 1933, however, the metropolitan cities contained only 60.8 percent and the suburban cities 5 percent of the total factory population in these industrial areas. This is a decrease of 11 percent for metropolitan and 22 percent for the suburban cities. As against these city losses, the smaller communities within the industrial areas increased their percentage of factory workers from 25.3 in 1899 to 34.4 in 1933. This is a gain of 36 percent.

1936: Credit Interchange Year

The other 34 C's

(*Cont. from page 5*) collect, collect, collect? But we won't deny its importance.

CHAPTER—Time for another plug. There is a Los Angeles Credit Men's Association Chapter of the National Institute of Credit. Write this publication for complete information.

CROOK—Good elimination work done by the Fraud Prevention Department of the Association.

CULTURE—One definition says "mental training," but we just used a plug about education, so look it up yourself and see if it is not a most important qualification for each of us.

CURIOSITY—A good credit manager has a veritable passion for information.

CONSISTENCY—This can also mean firmness.

CONCISENESS — A time-saver, but not too terse.

CONCRETENESS—Akin to the above, and we don't mean "hard."

CANDOR—Fortunately this has been in recent years and we hope will be the trend among progressive credit managers.

CALCULATING—Can you prove the lowest possible bad debt loss combined with the maximum of sales?

CONSTRUCTIVE — Same as above.

CHARM—The noun—that which attracts; the verb—to fascinate; we can't be personal but it certainly deserves a place in this list.

COLLEGE—Plug time again. The classes in the local chapter of the Institute of Credit are conducted through the University of Southern California located at 7th and Los Angeles Sts.

CHISEL—No connection with the preceding. Not a nice word in the credit department implications—Have you ever heard of anyone taking unearned discounts?

CHECK—This time we mean a good one, in full of account, prior to the expiration of the discount period—we hope they are plentiful.

CLAIM—Why did chisel, check and claim come to mind together? Unjust claims are as viscious as unearned discounts—let's lick both.

COLLATERAL — Sometimes classed with the basic three C's as a fourth—bank particularly.

CREATE — Please understand these are not listed in order of importance. This means to originate, otherwise our credit managers would still be the ancient glorified bookkeeper.

CRITICISM—What every executive should take graciously and give freely—providing it is constructive.

Every credit executive should be proud, if not even CONCEITED about his work; the responsibility is his to lead on and CONQUER in order to place his profession in its proper place of esteem, and while so doing, preserve the sacredness and soundness of the most universal, the most human, the most significant and important element in business life today, CREDIT. —*"Lacma News"*

Relative importance

The doctor was examining school children. One youngster was under weight.

"You don't drink milk?"

"Nope."

"Live on a farm and don't drink milk at all?"

"Nope, we ain't hardly got enough for the hogs."

—*"The Kablegram."*

Insurance digest

Fighting "fire-makers"

Of all the crimes known to civilization there is none more fiendish than arson. There are few tortures worse than perishing in flames. Yet there are people who will turn an entire neighborhood into a blazing inferno in an effort to collect insurance money.

The murderous trade of "fire-making" was comparatively safe and extremely lucrative until the authorities —after several disastrous fires of incendiary origin in which many lives were lost—decided to concentrate their efforts on removing the causes. With that decision was born one of the greatest life and property saving branches of civic government; the arson squad.

A special national board was created to investigate the fire situation. They found that it was possible to obtain large amounts of insurance on very little property, either real or personal. For example, Fire Lieutenants John H. Corr and F. H. McGuiness and Fireman Daniel H. Foley rented an apartment in a congested residential district and placed property valued at $1.20 within the apartment. With very little trouble they were able to secure insurance on the contents of the apartment in eight different companies, totaling $8,000.

A smashing drive was inaugurated against the arson syndicate. Rigid insurance regulations made it mandatory to furnish an inventoried list of the property upon which insurance was being applied for, to be submitted to the insurance companies. The insurance companies were compelled to make a thorough inspection of the premises before the policies were issued.

Then the authorities began to perfect their arson detection facilities. At night—while the city slept—grim-faced, keen-eyed men kept their vigil. They arrested and convicted individuals. They raided and smashed gangs. They sent the "Fire-bugs" to the insane asylums and observation wards. They broke the arson syndicate.

Biagio Callandra's was one case. This Italian fruit merchant had "set the stage" very carefully. He obtained from a relative false invoices for stock which he did not possess and then increased his insurance $16,621.72 on stock valued at $4,603.76.

The arson squad checking on the insurance companies discovered the increased amount of insurance. The next day they rented a room almost directly opposite the Italian's place of business, furnished it with chemical extinguishers, short hooks, axes and a length of hose.

After two weeks' watchful waiting their patience—and foresight—were rewarded. At 2 o'clock one morning a muffled explosion was followed by a red glare against the windows in the building opposite.

Within eight minutes from the time of the explosion fire apparatus was at the scene of the fire, but the arson squad armed with chemical extinguishers and the length of hose—which they had connected to a nearby hydrant—had the blaze under control.

Then there was Sam Brent, Morris Greenspan and Benjamin Brownstein, "fire-makers" deluxe, whose motto was, "Fires as you like them—satisfaction guaranteed or your money back." They were smarter than the average criminals, but the arson squad finally turned their dampers down.

One night Sam met a young lady and they hit all the high spots. Eventually they wound up in her apartment. She was very pretty but awfully dumb. Sam could always tell. In fact, he told her all about how they set the fires—

and where—and for whom—and for how much money.

The fire marshal's men stepped out of an adjoining room and placed Sam under arrest. Confronted with Sam's confession, his accomplices pleaded guilty.

Gradually the efficiency of the arson squads has increased until today they rank with the smartest detectives in the world in any crime in which fire is involved. During the last calendar year fire was responsible for the loss of many lives in addition to $500,000,000 property damage. Without the vigilance of the arson squads the loss would have been much greater, as only 5 per cent of the damages was attributed to incendiarism.

In this work of detection women have helped considerably. One of the cleverest fire detectives in the business is Jeanne. She is just a bunch of dangerous curves with a baby stare, but you cannot judge the speed of a car by the paint job, and Jeanne is credited with solving one of the most difficult arson cases on record.

It seems Mr. Fishman, who was in the fur business, wasn't getting rich fast enough. So he conceived the bright idea of increasing the insurance on his factory, and decided that his was to be the perfect crime. Directly in the rear of the factory were residences in which lived many women and children. But business is business.

He trusted no one except the chemist who was to supply the chemical solution he intended to use. The chemist never came to the factory, and all the plans were discussed in the privacy of the furrier's apartment.

In the meantime the arson squad had been investigating. They decided the situation had all the earmarks of a "touch off," but they could not obtain any actual proof. Then Jeanne was assigned to the case and her chief said to her, "There are no instructions. Find out all you can in your own way. Fishman is cagey and you can't get within 25 feet of him without arousing his suspicions."

She reported back to her chief with the request that he call the other agents off the case and permit her to work alone.

In exactly four days Jeanne called the chief on the telephone and reported again. "They will touch off the place tonight. The job is timed for midnight."

So just before midnight a huge, lumbering moving van stopped at the corner of the street on which the factory was located and the driver threw up the hood and began tinkering with the motor. A shrill blast of a whistle shattered the silence, and the driver leaped into the seat and sent the huge machine hurtling toward the fur factory. A dozen firemen armed with hooks and axes leaped out of the van and smashed their way in. The chemical squad went into action and in a few minutes the fire was under control.

Here is a paragraph from Jeanne's final report. "I borrowed a teacher from the Blank Deaf and Dumb School who is an expert 'lip-reader.' With the aid of a pair of binoculars she read Fishman's lips from the apartment we rented across the courtyard and wrote down everything she 'heard' Fishman say. It would have been a perfect crime, but Fishman forgot to pull the window shades down."

A short time ago the "fire makers" had a good "racket," but today the odds are 100 to 1 against them successfully perpetrating the crime.

When Mr. Citizen turns in a fire alarm he starts in motion one of the most complete and efficient systems in the world. The second alarm brings the arson squad and the police photographers. Even as the firemen fight the blaze the telephone and telegraph wires are humming. Who owns the property? Has the present owner a "record"? Is there a motive for the fire? Headquarters of the National Board of Fire Underwriters dispatch their expert in that territory to the scene of the fire. A police dragnet is thrown out for suspicious characters.

The National Board of Fire Underwriters maintains a corps of specially trained operatives who work in identically the same manner as the Department of Justice. The agents are unknown to each other and are constantly moved from one territory to another. It is not sufficient that they act a part; they must actually live it. They ride on freight trains and sleep in "flop houses." They are the taxi drivers who drive you down to business—the telephone girls who "listen in."

Condensed by "Firefax" from "The Washington Post."

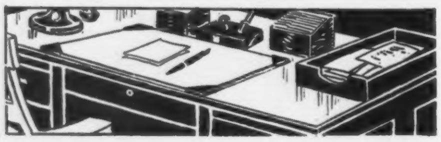
Persuasive power

A letter sent by the internal revenue collector at Rochester, N. Y., to a man named Joe in Lackawanna, N. Y., came back undelivered. The following notation on the envelope hints at an interesting story which can only be guessed at:

"Joe—he no live here any more. I am looking for him too. If I catch him before you do, you won't need to look for him any more."

—"Journal of Commerce"

Office-ally



New file

A new "Executive" file has recently been introduced by the Automatic File and Index Company, which presents many new and interesting features. It has a central place in which to file personal letters and being equipped with two regular Automatic expanding file drawers enables it to hold a considerable quantity. In opening this file the top lifts up and drops down behind. And when closed it may be used for a desk top. It offers alphabetical guides, gliding casters and a lock.

Peg-strip aid

The McBee Company of Athena, Ohio, presents a new and practical machine, "Multi-Spread", for use in conjunction with peg strip or summary strip accounting. One of the many advantages of this device is that it permits the use of forms as long as thirty inches and allows for a thirty-six inch spread, automatically providing greater distribution.

This machine is also said to reverse the principle followed in the old-style peg-board in that it has a fixed guide line while the speed of forms moves up or down behind the guide line. It is equipped with a mechanical line adjuster, automatic line spacer and single or double spacing. Catalog on request.

Time recorder

A new time recorder which requires only one hand to operate and is therefore much faster and more convenient, has been placed on the market by the Stromberg Electric Company, 223 West Erie Street, Chicago. Costing less than one-half the price of previous recorders on the market, the new instrument is thus available to smaller places of business. It is equipped with a Telechron motor which can be plugged into an electric light socket or it may be used with a control clock. Less than one-fourth the size of former models, its metal case in attractive design and finish was styled by Wilbur Henry Adams. It takes the full-size standard time cards and prints clearly on the front of the card.

Typewriter

Remington introduces a new self-starting portable typewriter, model No. 5. This typewriter has the self-starting paragraph key and is exclusive with Remington Rand, Inc. It automatically indents for paragraphs, lines-up, sub-heads, lists of names, etc. Another exclusive feature is the "key control", a mechanism providing control of the type bar from beginning to end of the key stroke. This machine comes in an attractive carrying case. It is made of three-ply wood, heavily covered with fabric. The case has nickel-plated hardware and is equipped with two locks.—"Office Appliances."

You can do a lot of talking 'bout nails
and grease and wheels,
But try kicking at yourself sometime
and see just how it feels.

Capitalism CAN do the job!

(*Cont. from page* 22) in prices expands purchasing power and permits a larger volume of sales, the unit cost of production is reduced and profits may be increased.

It is scarcely necessary to call your attention to the relation between volume of production, unit costs, and profits. But I must emphasize the danger of assuming that the cost of production is something that is rather definitely fixed by the existing costs of labor, materials, etc. In view of the overhead cost factor, unit costs decline with an increase in volume even though the direct expenses remain unchanged. Thus, there are two means by which costs may be reduced. First, by increased efficiency in the productive process, and, second, by reaping the advantages inherent in capacity operation. If the latter type of gain is to be realized, the policy of price reductions must be an aggressive and not a lagging one.

In other words, price reductions should not be delayed until reductions in cost are clearly established. Focussing attention upon obtaining the largest possible return in a given year, serves to prevent the making of larger returns in years to come. Excessive profits derived from high prices, moreover, invite over-expansion, and lead to instability later. Even if price reductions resulted in a more moderate rate of profit, the policy would pay as a result of the long run stability of earnings which would result.

Industrial history teaches that those industrial enterprises which rapidly install more efficient equipment and aggressively endeavor to expand the volume of business through lower prices need have no fear on the score of profits. It seems to me I recall that Andrew Carnegie once said in effect: "I know nothing about the making of profits; I only know about the making of steel."

No doubt he was not unaware that the profits would in the long run take care of themselves.

The problem which I have been discussing, it will be seen, is first and foremost the problem of the American business man. Upon the way in which the business men of this country meet the challenge thus presented will, in my judgment, largely depend the future of private initiative in this country. If the private business system, as a result of shortsighted price policies, fails to provide that broad distribution of purchasing power upon which not only the welfare of the masses but the prosperity of the business system itself depends, then I am quite certain that we shall have increasing efforts on the part of the government to exercise control over the activities of private business.

It is no part of my purpose to set forth at this time any detailed program for accomplishing the objectives which have been outlined. Indeed, any single plan for bringing about a general and systematic reduction in prices would necessarily involve governmental regulation and control. The immediate need is for the business leaders of this country to face squarely the issues involved with a view to revamping basic price policies in their own business and in connection with voluntary codes or other forms of agreement.

There are difficulties to be sure; but the greatest initial difficulty is psychological in character. So long as the disposition is to find all the reasons possible why prices cannot be reduced, not much may be expected. The first requirement is a basic change of attitude about prices, and then systematic study of ways and means whereby all along the line prices may be gradually and cumulatively reduced. I say cumulatively because in an interrelated business structure reductions at one place facilitate the making of reductions at other stages in the productive process. Reductions in the price of basic materials which enter into later stages of manufacture are thus of especial importance.

In conclusion let me again emphasize that this analysis relates not so much to conditions of the moment as to longer run possibilities. But even now it may well be possible in many lines to stimulate an increased volume of business through downward price adjustments. In any event, this is the great challenge which is presented to American business men in the months and years that lie ahead.

Income up

National income increased by 11 percent, or 5 billion dollars, between 1933 and 1934, according to estimates made by the Division of Economic Research of the United States Bureau of Foreign and Domestic Commerce. The total income in 1934 was 49.4 billion dollars as compared with 44.4 billion in 1933 and 48 billion in 1932. In 1934 all types of income payments increased except interest, and all of 12 industry groups studied reflected the gain with the exception of the electric light and power and gas group. The index of labor income in 1934, including wages and salaries, was 64.8 based on the total for 1929, as compared with 57 in 1933 and 60 in 1932.

Court decisions

O. F. WOODRICH et al, Individually and as Copartners under the Name of Woodrich Construction Company, Appts., v. NORTHERN PACIFIC RAILWAY COMPANY, United States Circuit Court of Appeals, Eighth Circuit—June 11, 1934. (71 F. (2) 732.)

APPEAL by plaintiffs from a judgment of the District Court for the District of North Dakota (Miller, J.) in favor of defendant in an action brought to recover damages for the assessment and collection by it of alleged unreasonable and discriminatory freight rates. Affirmed.

1. An action by a shipper against a railroad company for damages on account of the collection of alleged unreasonable and discriminatory freight rates on an intrastate shipment cannot be maintained, where the rates charged were those named in the published tariffs of the company, and approved by the railroad commission, and the statute makes it unlawful for the carrier to charge a greater or less compensation for transportation than specified in its published schedule of rates, directs the commission to make schedules of reasonable rates, and empowers it to change any rate found unjust and unreasonable, although the statute also provides that nothing therein shall abridge or alter remedies existing at common law or by statute, and that the provisions thereof are in addition to such remedies.

2. Rates named in published tariffs of a common carrier and approved by the railroad commission cannot be varied by the parties to an intrastate shipment, by contract or otherwise.

3. The carrier, shipper, and consignee being bound by published schedules of rates of a railroad company approved by the railroad commission, the court is likewise bound thereby in determining the rights and liabilities of the parties to an intrastate shipment, where a shipper seeks to raise the question of the reasonableness of the rates in an action to recover damages from the carrier for alleged unreasonable and discriminatory rates.

4. The remedy of a shipper who considers intrastate rates fixed under statutory authority by a railroad commission unreasonable or discriminatory is to apply to the commission for a modification of the rates established, or for the fixing of reasonable maximum rates.

JOSEPH SCHECHTER et al., Plffs. in Certiorari, v. UNITED STATES OF AMERICA. (No. 854.)

* * * * *

UNITED STATES OF AMERICA, Plf. in Certiorari, A. L. A. SCHECHTER POULTRY CORPORATION et al. (No. 864.) United States Supreme Court—May 27, 1935. (— U. S. —, 79 L. ed. (Ad. 888), 55 S. Ct. 837.)

CERTIORARI to the United States Circuit Court of Appeals for the Second Circuit to review a judgment affirming in part and reversing in part a judgment of the District Court of the United States for the Eastern District of New York, upon a conviction of violating certain provisions of an Industrial Code of Fair Competition adopted under the National Industrial Recovery Act. Reversed so far as conviction sustained, and affirmed so far as conviction reversed.

1. **Legislative power is unconstitutionally delegated by the provisions of Section 3** of the National Industrial Recovery Act of June 16, 1933, authorizing the making of Codes for the government of trades and industries by or with the approval of the President of the United States, without setting up any standards aside from the statement of the general aim of rehabilitation, correction, and development of trades and industries.

2. The act of a wholesale poultry dealer purchasing for slaughter and resale to retail dealers poultry shipped in from other states, in permitting customers to make selection of individual chickens instead of requiring them to select coops and half-coops, or in selling chickens unfit for food, or in making sales which were not in accord with a local city ordinance, in violation of an Industrial Code adopted pursuant to the provisions of the National Industrial Recovery Act, and failure to make reports as to prices and volumes of sales as required by such code, have no such direct effect on interstate commerce as to bring them within the power conferred on Congress by the commerce clause of the Federal Constitution.

3. Extraordinary conditions do not create or enlarge constitutional power, and cannot justify governmental action outside the sphere of constitutional authority.

4. The powers of the National Government are limited to those granted by the Constitution.

5. So long as a policy is laid down and a standard established by a statute, no unconstitutional delegation of legislative power is involved in leaving to selected instrumentalities the making of subordinate rules within prescribed limits and the determination of facts to which the policy as declared by the legislature is to apply.

6. The slaughtering by wholesale poultry dealers of poultry shipped into the state and purchased by them from the consignees, and the resale of the slaughtered poultry to retail dealers, are neither transactions in nor acts relating to interstate commerce, so as to bring the regulation of the hours and wages of employees of such wholesale dealers within the scope of the power conferred upon Congress by the commerce clause of the Federal Constitution.

7. The power of Congress under the commerce clause of the Federal Constitution extends not only to the regulation of transactions which are a part of interstate commerce, but to the protection of that commerce from injury; and it matters not that the injury may be due to the conduct of those engaged in intrastate operations.

8. Where the effect of intrastate transactions upon interstate commerce is merely direct, they do not fall within the power conferred upon Congress by the commerce clause of the Federal Constitution.

9. The precise line between transactions directly affecting interstate commerce which the Federal government may control and those only indirectly affecting interstate commerce to which the power conferred by the commerce clause of the Federal Constitution does not extend can be drawn only as individual cases may arise.

AMERICAN CREDIT-INDEMNITY COMPANY OF NEW YORK, Appt. v. E. R. APT SHOE COMPANY. United States Circuit Court of Appeals, First Circuit—December 19, 1934. (74 F. (2d) 345.)

APPEAL by defendant from a judgment of the District Court of the United States for the District of New Hampshire (Morris, J.) for plaintiff in an action by the insured upon a credit insurance policy. Affirmed.

1. The statement by an applicant for credit insurance in its application that its total "outstandings" were "approximately" $150,000 of which "approximately" $40,000 were due from a certain customer, when in fact the "outstandings" amounted to about $155,000 of which about $44,000 were due from such customer, is not such misrepresentation as will avoid the policy, if the statement was made in good faith.

2. The call in an application for a credit insurance policy for the amount of the applicant's "outstandings," does not, in the absence of anything in the policy or application defining the meaning of the term, require the inclusion in the total of the "outstandings" of trade acceptances taken for the amount of accounts receivable, which at the time of the application

had been negotiated to third persons.

3. A representation by an applicant for the renewal of a credit insurance policy as to its longest terms of sale, and that since the application for the prior policy it had made no change and did not contemplate making any change in such terms, is not shown to be false by the fact that it had, more than six months before applying for the renewal policy, offered a customer a postponed dating should business prove bad, which would have extended a term of credit beyond the longest terms of sale stated in the application, where no such dating was in fact ever requested or given.

4. A policy of credit insurance may not be avoided on the ground that the representation in the application as to the longest terms of sale was false in that the taking of trade acceptances extended credit beyond the period stated, where the applicant's custom of taking such acceptances was at the time of the application known to the insurer.

5. Where neither a policy of credit insurance nor the application therefor defines the term "outstandings," the amount of which is required to be stated in the application, the question whether accounts for which trade acceptances had been taken come within the meaning of "outstandings" as used in the application is one of law.

6. An insurer of outstanding accounts, informed during negotiations for the policy that it was the applicant's custom to take trade acceptances in large amounts, cannot claim misrepresentation in respect of nondisclosure in the application of the amount of such acceptances where the application did not clearly call for such information.

7. An application for insurance prepared by the insurer will be construed most strongly against it.

8. Error on the part of the trial judge in an action on a credit insurance policy defining "outstandings" the amount of which the insured was required to disclose, as including negotiated trade acceptances, is not prejudicial to the defendant.

9. Taking of trade acceptances pursuant to a custom known to the insurer at the time of issuing the policy cannot be considered as a violation of a provision in a credit insurance policy which allows recovery only if the insured has not taken any action with respect to a debtor's account which would operate in any manner against its prompt collection.

10. The question whether the taking of trade acceptances violates a provision of a credit insurance policy which allows recovery only if the insured has not taken any action with respect to a debtor's account which would operate in any manner against its prompt collection is one of law.

11. Letters brought to the attention of managing officers of an insurance company are competent evidence in an action on a credit insurance policy to show the insurer's knowledge of plaintiff's business methods.

Girls, when they went out to swim
  Once dressed like Mother Hubbard;
Now they have a bolder whim,
  And dress more like her cupboard.

Credit "Q's

and "A's

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of the law involved.

Mechanics' liens

Q. Can you give us the names of a couple of test cases in New Jersey under the Mechanics' Lien Law?

A. See Bates Mach. Co. vs. Trenton & N.B.R. Co., 70 N.J.L. 684; and Stewart Contracting Co. vs. Trenton & N.B.R. Co., 71 N.J.L. 568.

Collection suits

Q. What is the maximum amount on which a collection can be sued in the Justice Courts in Texas?

A. Original jurisdiction in actions for the recovery of money not to exceed $200. In cases involving sums not exceeding $20.00, no appeal lies.

Bankruptcy claim

Q. If we file a claim in a bankruptcy matter, for, let us suggest, $500, and, just before a dividend is paid, the Trustee enters objection to a portion of the claim, amounting to, in round figures, let us suggest, $100 and it will require considerable review and preparation to prove the justification for the entire claim, can we demand or can we obtain the dividend declared on the uncontested portion of our claim, or do we have to wait until we prove the entire amount, before we can receive any dividend at all?

A. If the trustee files objections to a portion of the claim filed in the bankruptcy proceeding, the usual practice is to withhold the dividend on the entire claim until the objections have been adjudicated.

A dividend can, however, be paid on the portion of the claim to which no objection has been filed, but the payment of such dividend is in the discretion of the referee. Of course, if the claim is voluntarily reduced by the creditor to the amount to which no objection has been made, the dividend would be paid at the same time that other dividends are paid.

Guaranteed account

Q. If we have a guarantee on an account which is not paid in due course, is it possible for us to combine in a suit the principal and the guarantor or must suit be filed against the principal first and, if execution is returned unsatisfied, a new suit started against the guarantor?

A. Whether or not a principal and a guarantor can be joined as parties defendant in a single action, would depend upon the nature of the guarantee. If the guarantee is a guarantee of collection, recourse cannot be had against the guarantor until all efforts to collect from the principal have been exhausted.

If, on the other hand, the guarantee is a guarantee of payment, a single action can be commenced against the principal and the guarantor any time after the maturity of the debt.

So far as I know, this is a matter of common law and would be applicable in practically every State in the Union.

Fictitious names

Q. Please describe what is meant by the fictitious name law.

A. Various states have enacted statutes requiring the filing of a certificate setting forth the real name or names of persons transacting business under partnership or assumed names to provide the public or possible creditors with ready means of information as to the personal or financial responsibility behind the assumed or fictitious names used in the operation of business.

Assumed names

Q. Where must record of assumed names be filed in Michigan and what is the penalty for failure to do so?

A. 1. In office of Clerk of County or Counties in which the business is owned, conducted or transacted or an office or place of business maintained.

2. Not less than $25.00 nor more than $100.00 or imprisonment in county jail, not exceeding 30 days, or both. Each day business is conducted in violation of law is deemed a separate offense.

Bulk sales

Q. What are the general provisions of the Bulk Sales Law?

A. Various statutes regulating the sale of stocks of goods in bulk have been enacted in every state of the United States and also in all the provinces of Canada, with the exception of Newfoundland, New Brunswick and Prince Edward Island.

The Bulk Sales Statutes are not designed to prevent a merchant from selling his stock of merchandise and fixtures to another, but to require that the intention to make such a sale shall be made known in time to give the creditors of the seller ample opportunity to protect their interests.

In most states such notice must be given by registered mail, but in some states, it is only necessary that the notice of the transfer be recorded.

The object of giving notice to the creditors is that they may have an opportunity to determine whether the proposed transfer is to be made in good faith and for a consideration adequate to protect the creditors of the seller.

If the notice has been given, the sale may nevertheless be attacked if the intent of the transfer is to hinder, delay or defraud creditors, under the general provisions of the law of fraudulent conveyances. The giving of the notice does not sanctify the sale, but acts only to place creditors on their guard against a fraudulent transfer.

For further details regarding the various provisions of the law in different states, see Credit Manual of Commercial Laws, published annually by the N. A. C. M.

NEWS ABOUT CREDIT MATTERS

A Section Devoted to Association Affairs

Get a Member in February

FEBRUARY, 1936

Save on Losses With Interchange

Brewers to Hold Credit "Huddle" on February 24

Conference Sponsored by Chicago A.C.M. Covers Wide Area

Chicago, Ill.—Faced with the prospect of a rapidly increasing ratio of credit sales to cash transactions during 1936, men who control the acceptance of credit in the Midwest brewing and distributing industry will meet at Hotel Sherman in Chicago, Monday, February 24, to exchange ideas on mutual problems.

The occasion is the Midwest Brewers and Distributors Credit Conference which will be held under the auspices of the Brewers and Distributors Credit Bureau of The Chicago Association of Credit Men. The "credit huddle" is believed to be the first of its kind in the history of the industry.

Among the subjects to be considered in round table sessions are: "The Relationship of the Credit and Sales Departments"; "The Credit Relationship of the Brewer and Distributor"; "Credit Information—How and When to Get It, What is Needed, How to Apply It"; "The Universal application for Credit"; "The Credit Man's Legal Recourse"; and "Collections."

In order to make the scope of the conference as broad as possible, speakers from both within and outside the industry have been scheduled to appear, among them being Richard McCarter, credit manager of Atlas Brewing Company; Joseph Dubin, editor of *Brewery Age;* Edward J. Cody, credit manager of Anheuser-Busch, Inc.; and W. J. Claussen, vice-president and secretary of Hibbard, Spencer, Bartlett & Company and president of The Chicago Association.

James S. Cox, secretary of the bureau, expressed the attitude of the Chicago hosts in his invitation to credit executives. "The members of our bureau," he said, "have no intention or desire of bringing brewers and distributors together for the purpose of organizing them or to sell them anything in the way of service. While it is called a "Midwest" conference, it does not bar any brewer or distributor from taking part in a discussion of that side of the industry which is going to need serious, careful consideration during the coming year."

W. F. Mechtel, Best Brewing Company of Chicago, is chairman of the conference committee and Harry Kreuger, of Peerless Beverage Company and president of the Illinois Beer Wholesalers Association, is vice-chairman.

HONORED

L. W. Lyons Given Merit Award by Westinghouse Co.

Pittsburgh, Penna.—L. W. Lyons, who will be remembered as the very efficient convention chairman at the National convention in Pittsburgh last June, has received a very important honor in his own organization, the Westinghouse Corporation.

There are some 30,000 employees n the Westinghouse Companies and subsidiaries. Out of this number each year the Westinghouse Order of Merit takes cognizance each year of outstanding services rendered by the company employees. There were eleven such awards given this year, one of them going to Mr. Lyons "For distinguished work as credit manager and so handling the affairs of that office that losses were reduced, assets perfected and sales activities strengthened."

New Orleans Host to Natl. Board, Council, Methods Committee

Important N.A.C.M. Problems Are Discussed at Sessions During Third Week in January.

New Orleans, La.: This city claims the distinction of having been the credit capital of the nation during the third week in January. During this week three very important meetings brought a number of the leaders of the National Association of Credit Men to New Orleans. On January 13 and 14 the annual meeting of the Secretarial Council discussed problems arising in the management of the 122 Associations affiliated in N. A. C. M. On January 16, 17 and 18 was held the mid-winter meeting of the National Board of Directors of N. A. C. M. The National Committee on Credit Methods and Practices also held an important meeting on January 14 and 15.

Reports presented at the National Board sessions indicated a strong revival of activities in all of the 122 Associations in the National organization. President P. M. Haight, of New York, presided at the session of the Board. Henry H. Heimann, executive manager; David A. Weir, assistant executive manager; W. S. Swingle, comptroller, and Roy A. Colliton, director of the Central Credit Interchange Bureau, St. Louis, represented the National staff at the Board meeting.

It is noteworthy that in addition to President Haight, the three regional vice-presidents also were present—Paul Fielden, the Norton Company, Worcester, Mass., representing the eastern division; Edward Pilsbury, B. Rosenberg & Sons, New Orleans, representing the central division, and Ralph T. Fisher, American Trust Co., Oakland, Cal., representing the Pacific division.

Members of the National Board present were D. I. Bosschart, San Francisco; L. J. Bradford, Cincinnati; W. G. Buchanan, Washington, D. C.; Osborn W. Bullen, Cambridge; H. E. Engstrom, St. Paul; W. C. Grimmer, Green Bay; Arnold W. Groth, Portland; F. J. Hamerin, Indianapolis; A. A. Martin, El Paso; Earl R. Mellen, Newark; Ralph Meyer, Los Angeles; Dana W. Norris, Syracuse; Ed-

IN SMASH UP

Providence, R. I.—Ernest I. Kilcup, general manager of the Davol Rubber Company, of this city, and a past president of the National Association of Credit Men, miraculously escaped severe injury on the evening of January 14 in a motor car collision. Mr. Kilcup, who had been rushing his work at the Davol office before leaving for the annual National Board of Directors' session in New Orleans, was driving to his home when his automobile was hit by another motor car.

Fortunately, Mr. Kilcup was but slightly injured. Most of his reaction from the smash-up was one of severe nervous shock.

ward G. Parker, Fort Worth; John L. Redmond, New York; Walter H. Sack, Grand Rapids; W. H. Schmidt, Des Moines; W. F. Smith, Chattanooga; Edward M. Tourtelot, Chicago; C. E. Votrian, Tulsa; Harvey L. Welch, St. Louis; R. C. Wilson, Salt Lake City, and Frank A. Worth, Buffalo.

Don Ross, Seattle; George J. Gruen, Cincinnati, and Fred Roth, Cleveland, past presidents of N. A. C. M., were also present for the important conferences. Ernest I. Kilcup, Providence, R. I., had made plans to attend but was prevented from going to New Orleans because of an automobile smashup in which he miraculously escaped severe injury.

Arrangements for the various meetings in New Orleans were under the supervision of National Vice-President Pilsbury, R. L. Simpson, of C. T. Patterson Co., president of the New Orleans Credit Men's Association, and Charles G. Cobb, secretary-manager of the New Orleans Association. Mrs. Edward Pilsbury was general chairman of the committee to provide entertainment for the wives and families of the credit men who were present for the various meetings. Mrs. Charles Cobb ably assisted Mrs. Pilsbury in entertaining the visitors.

The sessions of the Secretarial Council were devoted to problems in management arising in the operations of local Associations, their service departments and relations with other affiliated associations. The sessions of the Council as well as those of the National Credit Practices and Methods Committee devoted considerable time to plans for further development of Credit Interchange. Jeff O'Keefe, secretary-manager of the Chicago Association of Credit Men, presided at the Council sessions. He is president of the Council.

Members of the New Orleans association and the visitors heard Executive Manager Heimann and National President Haight as the main speakers at the annual dinner meeting of the local association, which was timed to be one of the features of the big credit week.

Among those who attended the Secretarial Council in addition to Chairman O'Keefe were John Abernathy, Virginia; O. H. Walker, San Francisco; Emmett Barbee, Oklahoma City; Edward De Groot, Grand Rapids; Orville Livingston, St. Louis; Morris D. Meyer, Houston; O. A. Montgomery, Detroit; G. P. Horn, Omaha; Hugh Wells, Cleveland, and S. J. Schneider, Louisville.

The sessions of the National Committee on Credit Practices and Methods were directed by Fred J. Hammerin, Lilly Varnish Company, Indianapolis, chairman of this committee.

Forum Sessions At Cleveland to Discuss Methods

Cleveland, Ohio.—The Cleveland Association of Credit Men announces a very interesting series of programs for the forum meetings during the balance of the year.

On Monday, January 27th, A. T. Woodward, assistant secretary, The United States Shoe Corporation of Cincinnati, was the speaker on the subject, "Who is Entitled to Credit?" On Monday, February 24th, Roy A. Colliton, manager of the central bureau, Credit Interchange, St. Louis, Mo., will speak on the subject, "Paging Your Customers' Books."

Henry H. Heimann, Executive Manager of the National Association of Credit Men, will be the speaker at the April 6th dinner meeting of the Cleveland Forum.

Peoria Continues Drive for Additional Members

Peoria, Ill.—The Peoria Association of Credit Men heard D. G. Sherwin and A. T. Brown of the Caterpillar Tractor Company explain the bookkeeping involved in the unemployment insurance act and the Illinois Old Age Pension Law at a dinner meeting attended by 65 members. O. M. Phillips, president of the Peoria Association, presided at the meeting. President Phillips explained the place of the Association in the National group and invited all interested in wholesale credit to membership in the organization. A membership drive is now being carried on with the hopes that every manufacturer and distributor in the Peoria district will become affiliated with the Peoria Association.

Bank Expert Tells About Check Service Charges

Newark, New Jersey. — "The Bank Service Charge on Business Accounts" is to be the subject of a talk by C. M. Dopler, bank economist of Montclair, New Jersey and Chicago, before the monthly dinner meeting of the New Jersey Association of Credit Men at the Progress Club, Newark, on February 6th. This program will follow the general plan announced by Secretary-Manager William H. Whitney, for the current year which contemplates a talk on some pertinent business subjects at each monthly meeting. The attendance at this year's sessions indicates that this plan is quite successful.

Detroiters Renew Campaign to Get More New Names

Detroit, Mich.—Encouraged by the announcement that the Detroit Association of Credit Men is now in second place in the National Membership Contest had only three memberships behind the leaders, the Detroit committee has resumed its active campaign for another intensive canvass of a long list of prospects during February and March. The goal set by the Detroit committee is at least fifteen more new members before the end of the Association year.

Statement Analysis Is Discussion Subject for Big Cincinnati Forum

Cincinnati, Ohio.—A. T. Woodward, assistant secretary of the United States Shoe Corporation, led a discussion at the January 7th luncheon meeting of the Cincinnati Association, the subject being "Financial Statement Analysis." Mr. Woodward presented several statements which had been received by his office and they were discussed by the credit executives present. This session proved one of the most interesting recently held by the local Association.

Credit Women Join in Binghamton Dinner

Binghamton, N. Y.—The Credit Women's Dinner Club of the Chamber of Commerce joined with the Binghamton Association of Credit Men at its dinner meeting on January 15th. Dr. Orlie M. Clem, delivered the address. Six new members were welcomed into the Binghamton Association during December and the Membership Committee hopes to extend this list by several additions during its January campaign. The membership committee is headed by John McDonald.

Tells of Business

St. Paul, Minn.—T. E. Reynolds, Secretary of the St. Paul Association of Credit Men, was quoted in a recent Sunday issue of the Saint Paul Pioneer Press to the effect that business in the northwest is in the best position of the past five years due to the long period of debt adjustments. Mr. Reynolds was quoted as predicting a further increase in general business conditions during 1936, even in face of the general era of fear which attends a political campaign year.

Staff Schedule Arranged About Orleans Meeting

Speaking dates are Co-ordinated With Board Session

Members of the National staff had a very busy month in January. Executive Manager Henry H. Heimann, Assistant Executive Manager David A. Weir, Comptroller W. S. Swingle of the National office were present at New Orleans during the sessions of the National Board of Directors, the Secretarial Council and the committee on credit methods and practices. R. A. Colliton, director of the Central Credit Interchange Bureau, also was in New Orleans for the annual Directors' session and the other meetings mentioned above.

During the meeting of the Board of Directors in New Orleans, Mr. Heimann made an address before the New Orleans Association of Commerce at a luncheon meeting on January 16th, and also was the principal speaker at the annual dinner meeting of the New Orleans Association on the evening of that day. Mr. Heimann also spoke at Louisville on January 20th and Evansville on the 21st, and was the principal speaker at the dinner meeting of the Philadelphia Drug Exchange on January 30th.

Mr. Weir stopped in St. Louis on his return from New Orleans to make an address on January 23rd, at the monthly forum dinner meeting of the St. Louis Association.

President Haight spoke in Atlanta on January 13th and Birmingham, Ala., on the 14th and in New Orleans on the 16th at the time of the annual dinner of the New Orleans Association. He also spoke at Louisville on the 20th with Mr. Heimann.

C. F. Baldwin, manager of the Washington Service Bureau, made a circuit of western parts, starting at Wichita on the 13th, at Kansas City on the 14th, at St. Joseph on the 15th, Omaha on the 16th, Sioux City on the 17th and Lincoln on the 20th. At each of these points Mr. Baldwin explained the operations of the Washington Service Bureau and told of some of the benefits already resulting from this new service feature of the National Association.

Poor Information Not Poor Judgment is the cause of most credit losses. Save with Credit Interchange.

HandshakeStunt "Breaks Ice" at Nicollet Dinner

Minneapolis, Minn.—The Minneapolis Association of Credit Men joined with the Retail Credit Association of Minneapolis on Tuesday, January 21st, for a big dinner meeting at the Nicollet Hotel. Lotus D. Coffman, Ph.D., President of the University of Minnesota, was the principal speaker. His subject was "Academic Freedom."

One of the entertaining features on the after-dinner program was the debate between Ralph W. Cornelison and C. C. Smith on the subject, "That I Would Raise My Boy to Be a Credit Man."

John E. Ledbetter of the Northrup, King & Company, acted as Toastmaster. Members of the Association were invited to this annual meeting, for which there was no charge, extra guests paying at the rate of $1.25 per plate.

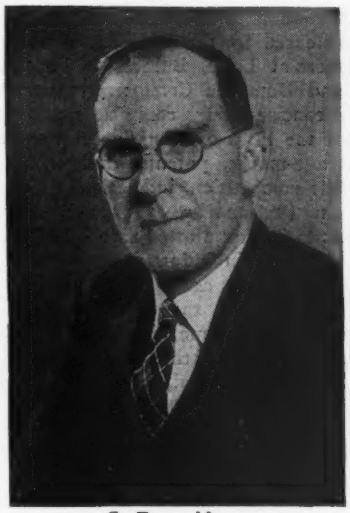
In order to promote good fellowship before and during the dinner session, special prizes were awarded in a rather unusual contest. One of the wholesale members and one of the retail members were designated as the mystery men. The seventh person to shake hands with these mystery men were awarded special prizes. This plan proved very successful in getting members of the wholesale organization and the retail group to introduce each other.

"Hot Dogs" Proves An Interesting Subject for Portland Ore. Meeting

Portland, Oregon.—"Hot Dogs" was the subject of the main address at the January dinner meeting of the Portland Association of Credit Men held on January 16th in the Benson Hotel. Father John B. Delaunay, Dean of Men, at the University of Portland, was the speaker. "Hot Dogs" was chosen by Father Delaunay as the general description of some of the causes of war and their relations to human problems in the present day. The meeting was under the direction of the Furniture Division, with Edw. F. Sinclair, as chairman.

The January 16th session of the Credit Forum under the direction of Robert Rogers, drew a crowd of 140 people who were deeply interested in the talk given by Walter D. Whitcomb, Accountant, on the subject of tax levies against business. Mr. Whitcomb took up particularly the taxes providing funds for old age retirement and unemployment insurance, which will be assessed against business income during the next few years.

Credit Career



C. Evan King,
Binghamton, N. Y.

Almost Algeric is the life story of C. Evan King, Assistant Secretary-Treasurer of the Agfa Ansco Corporation of Binghamton, N. Y., and one of the outstanding officials of the Binghamton Association of Credit Men.

Born in Barbados, British West Indies, Mr. King—known to his friends and business associates as "Chris," had not yet finished high school in his native land when he launched his career.

His father was an Episcopal clergyman who died when his son was a mere boy. Possessing that determination to succeed—an individual who would not consider failure—"Chris" came to this country as a youth of 19.

He had some training in bookkeeping and accounting and with this experience he obtained a position in 1903 as an office employee with Anthony & Scovill Co., pioneer manufacturers of photographic materials, with an office in New York City and a plant in Binghamton, N. Y.

Mr. King began his work in the New York office of this firm and his first few years in this country were marked by a terrific struggle. Long hours in the office were followed by long hours of study and attendance at night school. The Barbados lad was laying the foundation for his future.

In 1903 "Chris" came to Binghamton, N. Y., for his firm which, two years later, was reorganized as The Ansco Company. Mr. King was sent to Toronto, Canada in 1908 to open a branch office for this firm. After the Canadian office was placed on a properly functioning basis—only a few months job for "Chris"—he was transferred to Cincinnati, Ohio, where he remained as the head of an office for his firm for seven years. Continuing to advance with his firm, he was next sent to Kansas City, Mo., where he stayed during 1916 and 1917.

Through these nine years Mr. King's activity was devoted to sales and the development of increased business for his company. He made a great many friends in the photographic field.

In the latter part of 1917 this very busy person returned to Binghamton. Recognized as the most valuable field man in the company, Mr. King—in 1918—was made manager of the Chicago, Ill. office of his firm which was the headquarters for all activities in the middle west and the Rocky Mountain area. This last assignment involved heavy responsibilities in the field of credits and collections.

Back to Binghamton in 1922 came Mr. King, this time as assistant secretary and assistant treasurer—in charge of credits and collections—including Canada and foreign countries, for the newly reorganized Ansco Photoproducts, Inc. Mr. King retained this position after the merger of his company with Agfa Products Inc., in 1928, the new firm being known as Agfa Ansco Corporation.

For two years Mr. King served as vice-president and councillor of the Binghamton Association of Credit Men and last June was named president for the 1935-36 term. Also he served as Chairman of the New York State Legislative Committee of the Tri-State Conference District No. 2 of the National Association of Credit Men, and is a familiar figure at the conferences of this group and at the conventions of the National Association of Credit Men.

Mr. King in 1908 married a Barbados girl—Miss Jessie Gorringe Reece of Troy, N. Y., who had discovered America some years ahead of "Chris." They have a son, Walter Gorringe King, who is studying medicine at Cornell University.

A prolific reader, Mr. King's hobbies are his books and his pipe, bowling, golf, and also he is an enthusiastic philatelist. An ardent admirer of this man who was the boy from the West Indies, is his green-eyed, black cat "Billy" who doesn't know much about credit and credit associations but who worships "Chris" with a respect approaching that of members of the Binghamton Association of Credit Men.

New Directors Are Named for Boston C. M. A.

Boston, Mass.—James R. Bancroft, president of the American Institute of Finance told the members of the Boston Credit Men's Association at their annual meeting and dinner at the Chamber of Commerce Building on January 15th that he saw hardly no signs of permanent prosperity in the United States at the present time. "The type of recovery we have had since the bottom of the depression," Mr. Bancroft said, "is subsidized recovery, with the main prop being government expenditure. When we examine it, we can see that the narked increase in activity has been largely in consumers' goods industries." Mr. Bancroft said that his observation was based on the fact that there is little increase in the capital goods industries and little new capital financing during the past year.

In the business meeting preceding the dinner the following directors were elected by the Boston Association: Fred S. Arnold, Ludlow Manufacturing & Sales Co.; Henry J. Bornhofft, Brown Bornhofft & Co.; Thomas J. Connelly, Waverly Heating Supply Co.; Laurence S. Day, W. F. Schrafft & Sons Corp.; Chester C. Gray, Boston Post; Julius F. Haller, O'Brion, Russell & Co.; William Hodges, Edwin Clapp & Son, Inc.; Charles J. McCrystal, Firestone Tire & Rubber Co.; Harry W. Thompson, General Seafoods Corp.; Roscoe P. Todd, Thorp & Martin Co.; Leon O. Wavle, S. S. Pierce Co.; and Harold A. Yeames, Webster & Atlas National Bank.

Roy Colliton Speaks At Dinner Session of South Bend C. Men

South Bend, Ind.—Roy Colliton, Director of the Central Credit Interchange Bureau of St. Louis, was the speaker at the January dinner meeting of the South Bend Association of Credit Men on January 23rd. Mr. Colliton's subject was the various phases of credit work and analysis. A general forum session followed the address by Mr. Colliton, at which time he answered a large number of questions presented from the floor relative to Credit Interchange service.

A large number of credit department juniors were especially invited for this session in order that they might become better acquainted with the plan of operation of Interchange service.

Membership Gain Expected During Next 3 Months

Campaigns in Many of the NACM Cities Now Being Pushed

Continuing the healthy gain in membership which has made this year outstanding, the membership race is swinging into the stretch with practically three months to go. Notable performance has been made by many of the Associations, although it is to be noted that our net National gain is due to the gain made by forty-eight Associations.

Thirty-seven others have shown a loss and thirty-three have maintained the same membership with which they started the year. Sixteen Associations have a combined net gain of over three hundred and in every one of them you will find a carefully laid out program carefully carried out. Of few Associations can it be said that they have reached anywhere near what might be termed "the saturation point."

However, there are few who have outstandingly large membership in proportion to their opportunities. We list them, their population (as of 1930) and their membership.

Association	Population	Membership
Louisville	307,000	513
Salt Lake City	140,000	213
Grand Rapids	168,000	210
San Francisco	634,000	712
Seattle	365,000	393
South Bend	104,000	141
Charleston	60,000	68
Green Bay	37,000	82
Kalamazoo	54,000	69
Billings	16,000	33
Bluefield	19,000	22
Bristol	21,000	26
Fargo	28,000	40
Grand Forks	17,000	29
Oshkosh	40,000	49
Lewiston	9,000	24

Recognition of the year's performance at this stage goes to following according to their classification. Class A—Detroit and Pittsburgh (neck and neck); Class B—Seattle leading, St. Louis a close second, Kansas City and Minneapolis next (six out of the seven Class B Associations show a gain so far); Class C—Indianapolis, Cincinnati, Richmond (our next Convention hosts in June), Omaha, are so closely bunched that anyone may be winner. Grand Rapids, Rochester are also in the running; Class D—Sioux City, Wichita and Syracuse are out in front. Others showing a nice gain are Charleston, Duluth, Kalamazoo, San Diego; Class E—Little Waterloo, with a net gain of thirteen for the year, is well ahead at the present time, closely followed by San Antonio, (Binghamton, Bridgeport, Knoxville are to be reckoned with).

Membership race closes April 30, 1936 and on the basis of the percentage standings of that date will the awards be made at the Richmond Convention in June.

Tells About Thirty Years of Service

St. Paul, Minn.—"Thirty Years of Service" is the title of a new bulletin just issued by the Northwestern Jobbers Credit Bureau. This booklet reviews the service of the jobbers bureau from January 15, 1906, until January 15, 1936.

One of the interesting items presented in the bulletin and booklet is the statement that thirty years since the bureau was organized trusteeship funds in the amount of $20,000,000 have been handled by the bureau. This is in addition to all sums handled in bankruptcy and receiver cases, the data for which is not available at the present time. Another interesting item noted in the bulletin is that the bureau started operation with a capital of $850, which was loaned by forty members in the twin cities who joined together in the organization of the bureau. This initial capital was returned to the organizers within a few years after the start of the Northwestern Bureau.

Speaks on Economics

St. Paul, Minn.—Herbert Heaton of the Department of Economics, University of Minnesota, spoke at the January dinner meeting of the St. Paul Association of Credit Men on January 21st. Mr. Heaton's subject was "With Convalescence—What Now?" Professor Heaton was born in England.

Dept. of Commerce Has New Bulletin on Some Trade Laws in Canada

"Industrial Property Protection in Canada," a 65-page bulletin, just released by the Division of Commercial Laws, Bureau of Foreign and Domestic Commerce, contains a concise though complete summary of the laws of Canada relating to trade-marks, patents, designs, unfair competition, indications of origin (nationality of goods), combines in restraint of trade, and co-operation in industry.

References are made to pertinent provisions in the excise act, precious metals marking act, income tax law, and the criminal code. Bound in bristol, copies may be purchased for 10 cents from the New York District Office of the Bureau, 734 Customhouse, or from the Division of Commercial Laws, at Washington.

Our exports to Canada amount to approximately a million dollars daily. That country is second only to Great Britain as an importer of American goods.

Davenport, Iowa: His many friends in credit and financial circles in the Tri-City area mourn with Henry B. Betty, a prominent attorney of this city, over the death of his wife early in January. Mr. Betty has served as secretary of the Tri-City Credit Men's Association of this city for several years and has had an important part in the commercial affairs of this important manufacturing and jobbing center embracing Davenport, Rock Island and Moline.

Men's Apparel Group is Organized in Cincinnati

Cincinnati, Ohio. — Carlton S. Dargusch of the Ohio State Tax Commission was the speaker for the January 29th meeting of the Cincinnati Association of Credit Men held in Enquirer Auditorium. His subject was "Taxes in Ohio."

A new group of men's apparel credit executives was organized at a meeting held at Hotel Sinton on January 15th. Other meetings of this group will be held on the second Thursday of each month.

Forms Partnership

Announcement was received at the National headquarters during January, of the new partnership at Portland, Oregon, between William B. Layton and Edward A. Boyrie, with offices at 400 Pittock Block, Portland, Oregon. Attorney Layton will be remembered by many delegates to the National Convention because of his special activity in the legal and legislative councils of the National Association.

President Haight Predicts 1936 to Show More Gains

NACM Leader Does Not See Alarm Over Election Year

Continuing improvement during 1936 was forecast by P. M. Haight, Treasurer of the International General Electric Company and President of the National Association of Credit Men, before several local Associations which he recently visited.

"The usual recovery pattern will be in evidence," the credit head declared, "and that means we will see a certain amount of advance and recession in the general business picture. But the trend of business during this new year will be definitely upward over any long range period of time.

"The current recovery which started last summer should continue for the next several months, perhaps until the early summer. Although it is likely that there will be a mid-summer relapse, somewhat in line with seasonal trends, business will in general be so much on the upward trend that even the traditional unsettling influence of a Presidential election will have only slight effect in retarding its progress.

"Business men will be cheered by the continuing upward trend, but they must realize that we are in an inflationary period and that the prospects of maintaining the prosperity which we are once again achieving depends greatly upon the emergence of that type of commercial activity which is self-stimulating, dependent upon business transactions rather than the more or less artificial stimulus of government spending.

"This year will be a test year for business. It will have many opportunities to expand, and there will also be opportunities to over-expand. Expansion of a type that is justified will prove beneficial, but the over-expansion, characteristic of the 'new era' prosperity of the 1925-29 period, is neither desirable nor profitable over a period of time.

"A shot in the arm is productive of high activity, but it is just as undesirable to have such a stimulus to increase activity administered by business as by government. During the period before 1929, speculation of various kinds led us into the troubles following 1929. And since that time we have seen government efforts analogous to the buying of prosperity on the installment plan.

R.L. Simpson To AgainHeadCMA Of New Orleans

New Orleans, La.—R. L. Simpson, executive vice-president of C. T. Patterson and Company, was re-elected president of the New Orleans Credit Men's Association at the annual meeting held on January 14th.

A new Board of Directors was elected to serve for the year 1936.

President Simpson in his annual report commented upon the increased activity and interest on the part of the general Association membership. He stressed the importance of the Association to the business interests of New Orleans and called their attention to the expansion of the Credit Group service in the Association work during the past year.

Minneapolis Chapter Begins 2nd Semester With Large Classes

Minneapolis, Minn.—The Minneapolis chapter of the National Institute of Credit opened its Spring Semester on January 27th under the direction of R. W. Hanson of the First National Bank and Trust Company. This initial meeting was devoted to Statement Analysis.

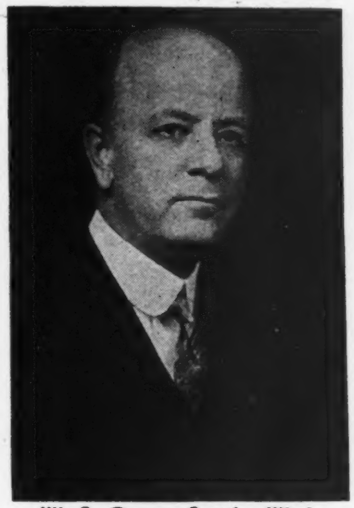
Another course in Economics started on January 31st under the direction of C. E. Woodward of the Woodward Service. The course in Business Law began on January 29th under the direction of John E. Ledbetter of Northrup, Kind & Co. The course in Advanced Credits started on January 30th under the instruction of H. A. Jensen of the Minnesota & Ontario Paper Co.

This is the eighth consecutive year that courses in credit subjects have been offered by the Minneapolis chapter.

Ira Thomas Talks to Philadelphia Group

Philadelphia, Pa.—Baseball was the subject of the January 22nd dinner meeting of the Credit Men's Association of Eastern Pennsylvania. Ira F. Thomas, a leading figure in professional baseball, gave a very interesting talk on the national sport, and John D. Shibe of the Philadelphia American Base Ball Club provided a motion picture giving the history of organized baseball since the first major league was organized in the United States. The dinner meeting was held at the Adelphia Hotel on January 22nd.

Credit Career



W. S. Gruger, Seattle, Wash.

When credit executives in the Seattle area speak of W. S. Gruger, they think of him as an old timer in Association activities. However, Mr. Gruger states that he has been twenty-seven years old as far back s his children can remember, which indicates that he still keeps his youthful attitude towards life.

He was one of the charter members of the Seattle Association of Credit Men and has been a member of the Seattle Merchants Association since 1901. He served as trustee of the Seattle Association for about fifteen years. He was president of the Seattle Association in 1929 and served as a National Director from the northwest area from 1932 to 1935, his term expiring at the time of the Pittsburgh Convention. He is now an active member of the National Methods and Practice Committee.

Mr. Gruger was born at Lancaster, Pa., and was educated in the schools of that locality.

He was fourteen years with Armour & Co., and for ten years with the National Grocery Co. For the last twenty years he has been connected with the Imperial Candy Co.

Mr. Gruger takes pleasure in golfing, fishing and motoring, although he finds plenty of time for giving extra service and attention to credit association work either locally or for the National organization.

Mr. Gruger has many interesting anecdotes to relate from his long business carrer in the Pacific northwest. He frequently takes occasion to point to some of the younger men in the credit fraternity that the Three "C's" of credit were stressed quite as much when he first entered business back in the '90's as at present. Character and Capacity to successfully operate a business are of more importance than Capital, he declares. Without the first named factors, Capital is soon lost and the sheriff steps in. Mr. Gruger stresses the importance of really knowing customers and that expense for getting such information about a new customer pays a big dividend.

Eugene Elkus Is Elected Member of 33rd Degree

San Francisco, Calif.—The host of friends of Eugene Elkus of this city, a past president of the National Association of Credit Men, will be interested to learn of his elevation to the Thirty-third Degree in Masonary. Membership in this rank in the Masonic Order is closely limited and only those who have performed outstanding service for the fraternity or for their fellow citizens are recipients of this signalled honor by the Masonic fraternity.

It will be recalled that Mr. Elkus was elected president of the National Association at the time of the Convention in Buffalo in 1924.

Konrad F. Braun Named Assistant to President of Commercial Factors

New York, N. Y.—Konrad F. Braun, vice-president of Commercial Factors Corporation, in charge of the credit department, has been made assistant to the president of that company, and Andrew W. Hamilton, who has been assistant Credit Manager, has been appointed in full charge of credits. Both Mr. Braun and Mr. Hamilton have been quite active in the credit work of the National Association and of the New York Credit Men's Association. Mr. Braun is chairman of the Fraud Prevention Fund of the National Association of Credit Men in the New York metropolitan area.

F. M. Couch Honored

Los Angeles, Calif.—Frederick M. Couch, an active member of the Los Angeles Association for a number of years, retired early in January as manager of the Los Angeles division of the Blake, Moffitt & Towne Co. Mr. Couch was honored at a dinner given at the Jonathan Club by officials and employees of his organization. Mr. Couch is a past president of the Los Angeles Association.

Rochester Starts Second Relay of Membership Try

Rochester, N. Y.—The Membership Committee of the Rochester Association of Credit Men is putting on its second intensive membership effort during January. The first drive in October resulted in obtaining 15 new members and it is expected that as many or more will be obtained during the January campaign. It is the object of the Membership Committee that the Rochester Association will show a net gain for the year of at least 25 members. An individual prize for high producer in the present canvass, has been announced by the committee.

Women's Division Will Be Hosts at February Dinner in Los Angeles

Los Angeles, Calif.—The Women's Division will be in charge of the membership meeting of the Los Angeles Credit Men's Association, on Thursday, February 20th at the Jonathan Club. This is an annual event on the program roster of the Los Angeles Association and is anticipated by the members of the Association as well as the Women's Division, with a great deal of pleasure. The program for this year's meetings has not been completed but the staff of the Women's Division is hard at work on the plans for the meetings, which, they hope, will set a new tradition in L.A.C.M.A. annals.

KenThomson Lectureson U. of C. Extension List

Oakland, Calif.—The bulletin issued by the University of California, extension division, announces a course of lectures by Kenneth Thomson, Secretary-Manager of the Oakland Association. The name of Mr. Thomson's course is Practical Wholesale Credit Management and covers practical problems as they arise from time to time in business operations such as gathering and recording credit information, establishing a suitable collection system, collection correspondence, danger signals in credit, delinquent collection procedure, what to do when accounts become insolvent, and the Federal Bankruptcy Law.